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Interim Report: The Business of Housing Renovations
in the City of Toronto

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Residential Rehabilitation and Conversion Process and Issues

Interim Report: The Business of Housing Renovations
in the City of Toronto


Prepared for:
The Ministry of Housing Community Renewal Branch
Government of Ontario

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February 27th., 1980

Mr. J.F. Brown
Director
Community Renewal Branch
Ministry of Housing
60 Bloor Street West
Toronto, Ontario

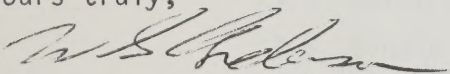
Dear Mr. Brown:

I am pleased to submit the attached Interim Report: The Business of Housing Renovation in the City of Toronto. This report has been prepared for discussion purposes as part of the overall work program of the Residential Rehabilitation and Conversion study.

The interim report is based primarily on statistics, case studies and interviews with persons in the renovation business. It will be used as a basis for further discussions with municipal officials and financial institutions concerning housing rehabilitation, as outlined in the original study program.

I look forward to your comments on this report, and to completing the full study.

Yours truly,



W.G. Anderson

NOTE:

This is an interim report prepared for discussion purposes. Comments on points raised in this report will form part of the input for other aspects of the study not in this report. The format of the final full report is outlined in Section 1: The Study as a Whole.

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Interim Report

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RESIDENTIAL REHABILITATION AND CONVERSION,
PROCESS AND ISSUES

INTERIM REPORT:

THE BUSINESS OF HOUSING RENOVATION
IN THE CITY OF TORONTO

W.G. Anderson,
Planning and Research

Section 1: The Study as a Whole

Section 1.1: Study Context

Rising energy costs will continue to make automobile use less financially attractive compared to public transit. Housing in the central city is comparatively better served by transit than the suburbs.

Family size is decreasing with children becoming a smaller proportion of the total population. Suburban communities designed for child rearing, often are not attractive to childless couples who appreciate the entertainment opportunities and convenience of the central city.

Older persons are becoming an increasingly large proportion of the population. Households comprised of older couples and older single persons, often cannot financially or physically maintain large suburban homes and want smaller rental units with the convenience of a central city location.

These factors indicate the likelihood of an increasing consumer demand for central city housing combined with a decline in the rate of construction of suburban housing. This study attempts to identify issues and provide basic information about the role housing renovation is now playing and will play in satisfying this shift in housing demand.

Some issues have been tentatively outlined, that may be considered of Provincial interest. These issues can best be stated as questions:

(1) With a probable continued slow down in the growth of suburban construction, can employment in construction be maintained through renovation of central city housing? Should this be an objective of Ontario Government policy and if so, what actions may be required?

(2) Rental accomodation is in short supply in major urban centres in Ontario. Will rental accomodation suitable for smaller households be provided through renovation initiated by the private sector without further government intervention in the market? Should rental accomodation through

renovation be an Ontario Government housing policy objective and if so, what action may be required?

(3) Renovation changes the quality of the housing unit. Does the Ontario Government have an interest in preserving certain quality standards for renovation? Are these standards different than those that exist now? Should this interest be pursued by specific objectives and policies for renovation activity?

(4) Renovation often changes the income and social class characteristics of a neighbourhood. Rentors, owners, developers, those moving in and those moving out of an area, often have conflicting interests. Should the Ontario Government develop specific housing objectives and policies that recognize the divergent interests that are involved in the process of renovation?

Section 1.2: Study Objectives

The study provides basic information concerning the economic feasibility, market potential, and economic impact of housing rehabilitation and conversion in the City of Toronto and Metropolitan Toronto as a whole. The emphasis is on identifying the method of operation of the current private sector businessmen owning property and initiating activity in the renovation field. An understanding of their activity is essential to any future analysis of the implications of possible new government policy. The study specifically investigates the attitudes of these businessmen, municipalities and financial institutions towards renovation activity.

Section 1.3: Study Scope

The focus of the study is on profit motivated activity of individuals or companies which:

- a) adds additional rental housing units to existing housing, housing conversion and,
- b) renovation activity that increases the value of an existing housing unit for resale or rental, rehabilitation or renovation

The study concentrates on the identification of differences between types of companies in the business. Excluded from the study are home repair type contractors who do not own the buildings they work on and renovation of principal residences by their owners.

Housing renovation is classified by residential structure type and case studies have been developed for the different types to aid in the discussion of costs and business approaches. Case studies developed and analysed as to cost and economic feasibility are:

- a) A central Toronto semi or detached brick house renovated for one family use through an economy renovation option and a luxury renovation option.

- b) The same brick house renovated for two dwelling units as a duplex.
- c) The creation of a one family dwelling unit over strip retail space, with economy and luxury renovation approaches.
- d) The creation of two dwelling units over strip retail space.
- e) The modernization of an older walk up apartment.
- f) The renovation of a suburban post war single family house to create a two dwelling unit duplex.

Section 1.4: Work Program

The study is divided into five major phases. The interim report is part 1.

- Part 1: Determine the private sector economic feasibility of residential rehabilitation and conversion using available statistics, case studies, and developer interviews from the City of Toronto.
- Part 2: Undertake an occupant phone survey from renovated buildings identified in Part 1 and estimate the potential demand for and potential supply of building stock for rehabilitation and conversion for Metropolitan Toronto in total and for the City of Toronto.
- Part 3: Establish existing municipal policies and practices concerning rehabilitations and conversions.
- Part 4: Establish the existing role of financial institutions.
- Part 5: Establish the economic impact of rehabilitation and conversion.

Section 2: Interim Report:
The Business of Housing Renovation in the City of Toronto

Section 2.1: Purpose, Study Approach and Objectives

The interim report is a description of renovation for profit; it's economic feasibility, impact on the housing market, and relationships with municipalities and financial institutions. The report will be circulated to renovators for their comments and used as a basis for discussions with municipalities and financial institutions.

The report is based primarily on three sources of information.

a) Typical Renovations

The study team has chosen buildings of the types noted previously that are typical of the building stock in Toronto. Architects drawings and specifications have been prepared for each building with differing assumptions about the nature of work undertaken. Complete construction cost estimates were then prepared for each element of construction and for the total construction cost of renovation. Combined with market information on rents, property sale values and operating costs, return on investment pro-forma calculations were prepared. This information is presented in Section 3 of the Interim Report.

b) Data on Renovation Activity

There is no readily available source of statistics on renovation. Special computer tabulations using City of Toronto building permit data have been developed for this study. Data has been assembled to isolate what types of buildings are being renovated, those adding extra rental units and those being renovated for resale. This information is presented in Section 4 of the Interim Report. A complete review of the data preparation sources and methodology will be prepared for the final report.

c) Renovation Interviews

More than fifteen principals of companies in the renovation business, who own and control the properties they renovate, were contacted for this study. Of these, 10 owners were interviewed in

detail about their operations using a structured questionnaire format to solicit comments on a number of consistent topics. The questionnaire and names of renovators contacted are in the Appendix. The results of these interviews form the body of this report, Sections 5 to 8.

The specific objectives for this interim report on the renovation business can be stated as follows:

- a) Outline the scope of renovation activity for profit indicating its economic viability, the types of companies involved and their operating procedures.
- b) Highlight the interaction with government at all levels and identify issues.
- c) Highlight interactions with financial institutions and identify issues.
- d) Indicate areas of business operation that are considered satisfactory by their owners for the continued growth of their business and areas that are not.

Section 3: Financial Feasibility
An Analysis of Typical Renovation Case Studies

Section 3.1: The Base Case:
Why Renovate as a Business?

There are really two profit motivations for renovation activity:

- a) Capital gains on property sales and,
- b) Income from property rentals.

To illustrate why people are in renovation, an analysis of two typical buildings is presented below, one for resale, one for rental. These hypothetical situations are followed in later sections by further discussions of various renovation options.

Section 3.1.1: Renovation for Resale, Feasibility Approach

The professional renovator in the resale business makes his profits by buying housing for as little as possible, adding improvements he feels appropriate and selling for whatever the market will bring. The business is straightforward accumulation of capital gain. It is important to stress that although there are definite upper limits in neighbourhoods as to what a renovated house will sell for, there are no fixed guidelines as to what physical changes constitute a renovation. There is little direct relation between the final sale price and the actual cost of the unrenovated house plus labour and materials. The purchaser is in many cases buying an image of a renovated house rather than a checklist of hard improvements made to the property with a cost attached to each that he recognizes as creating the value in the price paid. This uncertain value created by the "look" of a house, gives the opportunity for companies to create this "look" with minimal renovation and yield very high profits. This approach is contrasted to other renovators who rebuild a house, constructing everything to completely new standards leaving only the outside walls and floors, from the original structure. Two renovation approaches are the prevalent:

- a) The partial renovator
- b) The rebuilder renovator.

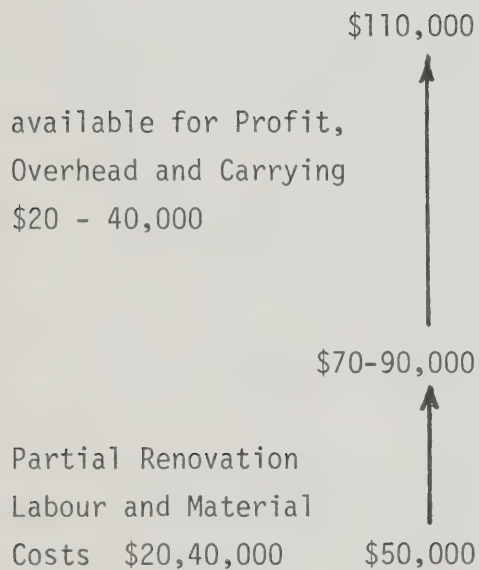
Both types must work within the general maximum price constraints of their neighbourhood markets. The following illustration shows a typical house renovation indicating the spectrum of cost and profit available in house renovation for each of these groups.

Illustration 1: Renovation for Resale

Scope of Market Value

- Assumptions - (1800 sq.ft.) 167 sq. metre house, two storey solid brick
 - Total time from acquisition to resale, 6 months

Partial
Renovator



House for Resale
\$



Rebuild
Renovator

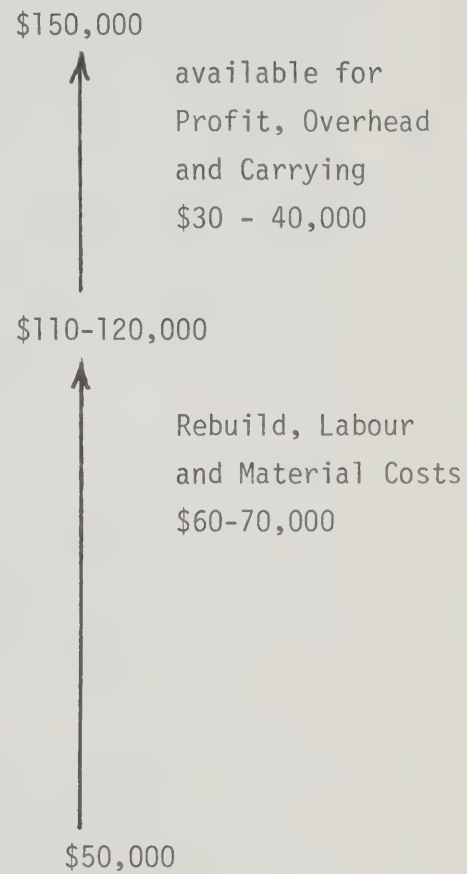


Illustration 2: Renovation for Resale

Profit Analysis

	<u>Partial</u> <u>Renovator</u>	<u>Rebuild</u> <u>Renovator</u>
<u>Revenue</u>		
Final Sale	\$110,000	\$150,000
Real Estate Commission 6% *	<u>\$ 6,600</u>	<u>\$ 9,000</u>
(1) Gross to Renovator	\$103,400	\$141,000
<u>Invested Capital</u>		
Down Payment	\$ 10,000	\$ 10,000 (a)
Construction (and fees such as legal)	\$ 20-40,000	\$ 70,000
Carrying Construction 6 mos. at 16%	\$ 1,600-3,200	\$ 5,600 (b)
Existing Mortgage Carrying 13%, 6 mos. (all interest)	<u>\$ 2,600</u>	<u>\$ 2,600 (c)</u>
(2) Total	\$ 34,200-55,800	\$ 88,200
<u>Existing Mortgage</u>		
(3) <u>Total Invested Capital</u>	\$ 74,200-95,800	\$128,200
(4) Profit Before Salaries or Fees to Owners (1)-(3)	\$ 29,200- 7,600	\$ 12,800
Return Pre Tax on Total Invested Capital, 6 mos. (4) ÷ (2)	85% - 13.6%	14.5%
Owners Invested Capital (a)+(b)+(c)	\$ 14,200-15,800	\$18,200
<u>Annual Pre Tax Return on Total Invested Capital</u>	170% - 27%	. 29%
<u>Annual Pre Tax Return on Owners Invested Capital</u>	412% - 96%	141%

*real estate commissions may be as low as 4%

These illustrations are not actual examples, however, the figures mentioned are realistic based on discussions with people in the business. The illustrations are meant to highlight the following points about the renovation for resale business:

- (1) Both rebuild renovation and partial renovation are profitable businesses. The returns on invested capital compare favourably with interest rates on alternative investments such as mortgages (13%-14%) and contain an extra profit to compensate for risk.
- (2) The rebuild renovator is usually selling at the top of his market. He has little flexibility in terms of his sale price, to maintain his profitability. These companies are particularly vulnerable to delays in construction and sales.
- (3) The partial renovator on the other hand, has less money invested and a more flexible selling price to maintain reasonable profits. He may get lucky in some markets and sell for prices near the rebuild price, with only a portion of the rebuild costs. In this case, his business can be extremely profitable.
- (4) The partial renovator has no standard approach to the renovation of a house. He will repair and rebuild only as needed to create the "look" of a renovated house which he feels is marketable in an area. Costs and profitability may vary widely from house to house.
- (5) The consumer in comparing a rebuild house to a partial renovation may incorrectly assume he is getting the same basic rebuilt services, but at a more competitive price. Since there is no listing of work done or ability to check inside walls for such things as; insulation, wiring, plumbing and structural condition, he may not get the value he expects.

Section 3.1.2: Renovation for Rental, Feasibility Approach

The professional renovator in the rental business makes his income from buying, renovating and holding for income. The profit in income producing

real estate comes from:

- a) The income stream
- b) Capital appreciation of the asset.
- c) Tax shelter provided by depreciation.

The incentive for this type of business is less obvious than renovation for sale because initial actual income may be quite low. The overall incentive is, however, clear. Real estate can appreciate in value by at least the rate of inflation. Since this is the case, a sensible long term investor will seek to hold real estate rather than sell it if, in fact, income can be increased with inflation.

The following illustrations show the hypothetical renovation of a single family house into a duplex. The full picture is a description of the asset, as built now, its income stream over 5 years and its capital gain or sale after 5 years. A five year term was chosen because this is the longest current term that the payments on a mortgage can be fixed.

In order to explain this fully, the concept of Capital Cost Allowance must be presented. Capital Cost Allowance is a deduction allowed for depreciation against a real estate asset's income for tax purposes. Rates differ but the common amount is 5% of the building value (not the land) in the first year. Each subsequent year is then 5% of the initial value of the building less Capital Cost Allowance deducted to date. Since in the early years of a building's life the income may be low, the Capital Cost Allowance available is often in excess of income. For real estate companies, this excess can be used to reduce tax that might be payable from other real estate holdings. This is a clear incentive for real estate activity, and is not allowed for individuals not in the real estate business. Capital Cost Allowance, however, is not a giveaway. It is a tax deferral scheme. When the building is sold, if the sale price for the building (not land) is in excess of the depreciated value, as written down by the Capital Cost Allowance, then the difference between the original value and the depreciated value is added back as income and taxed at the corporate rate. This is called recapture of Capital Cost Allowance. The numerical example following will clarify how this works.

Illustration 3: Renovation for Income:
The Property

Assumptions:

- (1) The unrenovated house is approximately
(2000 sq.ft.) 186 sq. metres with a sale
price of: \$ 60,000
- (2) The total cost of renovation to a du-
plex is: \$ 70,000
(including all carrying and overhead)
- (3) Total cost of renovated property: \$130,000
- (4) For taxation purposes the land is
valued at: \$ 40,000
and the depreciable building at: \$ 90,000
- (5) A mortgage is negotiated on the property
at 13% for: \$ 60,000
It is assumed that interest only will
be paid, no principal
- (6) Owners equity in the building is: \$ 70,000
- (7) The building owner is in the real estate
business for tax purposes, which means
he (a) may depreciate the property for
the full Capital Cost Allowance provisions
of the Income Tax Act, (b) he must include
the full amount of capital gains or sale
as income, not 50% as would on individual
selling a second property like a cottage,
(c) Capital Cost Allowance in excess of
the income from the building can be used
to reduce income from other real estate.

- (8) The building owner is assumed to have more than one building. Income from these other older depreciated assets is available to be sheltered from the Capital Cost Allowance on this new building
- (9) The assumed corporate tax rate is 50%
- (10) Rental income and costs go up 6% a year under rent controls, giving a constant annual operating income of 6%
- (11) The building is fully rented in year one for \$1,000 a month,
\$400 a month for a 1 bedroom apartment
\$600 a month for a 1½ storey top floor
2 bedroom apartment.

Illustration 4: Renovation for Income

Duplex Year 1

Income Statement for Tax Purposes

Annual Gross Income	\$12,000
---------------------	----------

Operating Expenses:

Heat 2 units	\$ 800	
Hydro 2 units	\$ 500	
Taxes duplex	\$1000	
Water 2 units	\$ 140	
Insurance	\$ 150	
Misc. and Main-		
tenance	<u>\$ 410</u>	
	\$3000	<u>\$ 3,000</u>
Operating Profit:		\$ 9,000

(Note: this is (\$ 9,000) a poor 7% return
 (\$130,000)
on invested capital, but it's not the
full picture)

Mortgage Interest (13% of \$60,000)	<u>\$ 7,800</u>
-------------------------------------	-----------------

Net Profit:	\$ 1,200
-------------	----------

less Capital Cost Allowance C.C.A. (5% of \$90,000)	\$ 4,500
--------------------------------------------------------	----------

Taxable Income	<u>0</u>
----------------	----------

Unused C.C.A. available for other income tax shelter: \$ 3,300

Illustration 5: Income Property

Five Year Feasibility Analysis

The following figures outline the sequence of calculations necessary to indicate the property value:

- (1) Cash Flow (Income Stream) and Tax Shelter, Figure 1
- (2) Capital Gain, value at sale, Figure 2
- (3) Comparison to less risky bank or mortgage investment, Figure 3

Definition of Terms and Assumptions

Operating Profit - this is all rental income received, less hard costs of operation for the year, before interest payments.

Mortgage Payment - this is the annual interest paid on the mortgage. For calculation convenience it is assumed the total payment is interest. In most cases a very small portion of the payment would be principal.

Net Profit - this is operating profit after mortgage interest is paid.

C.C.A. - Capital Cost Allowance - this is a deduction for building depreciation allowed for Income Tax purposes (as outlined previously).

Taxable Income - this is net profit not sheltered by C.C.A. upon which taxes must be paid.

Tax Payable - it is assumed the company is paying corporate taxes of 50%.

After Tax Income - this is the profit on this building alone.

Excess C.C.A. - it is assumed that the company has other real estate income which can be sheltered from tax by this extra C.C.A. The value of the C.C.A. is 50%, the same as his tax rate which he would have paid on the other income.

Total After Tax Income and Tax Sheltered Income - this is the total of his after tax income from this building and the value of excess C.C.A. used against the other building's income.

Comparative Effective Pre Tax Income - this is a fictitious amount of money. It is twice the amount of after tax income and tax sheltered income. It is the assumed pre tax amount of money he would have to invest in something other than real estate to yield the same after tax income at a 50% tax rate. This is used later to compare the real estate investment to other investments.

Equity - this is his original out-of-pocket capital in the building.

Pre-tax Return on Equity - this is the percentage effective pre tax income of the owner's equity. It indicates a rate of return that can be compared to general levels of interest rates.

Present Value of Income - this is an adjustment for inflation. Because money is worth less over time, how much the value is of money received will depend on when it is received. To adjust for this, all income for each

year is calculated at its present value. An inflation rate of 8% is used for present value. Higher or lower rates could be used as needed.

Capitalized Value of Income - this is the effective pre tax income divided by the general level of interest. It indicates what someone would pay in total capital to receive an annual interest payment equal to the income. For example, if income is \$100 and the general rate of interest is 12%, the capitalized value of the \$100 is $\frac{100}{.12}$ \$833.

Mortgage Principal - this is the unpaid principal amount of the mortgage owed to the lender.

Total Market Value - this is the sum of the capitalized income amount and the mortgage principal. It indicates what someone would pay for the building solely to gain the income generated.

Capital Gain - the market value less the original cost. For a real estate corporation all of this is taxable. For an individual only 50% is added to his income.

Recapture of C.C.A. - all of the tax deferred must be paid back and taxed at the normal corporate rate when the building is sold. If there is a capital loss it is assumed that the building has depreciated by the amount of the loss. This is deducted from the amount of potential recapture.

Effective Value of Capital Loss Tax Shelter - capital losses can be used to reduce tax payable on other income for a real estate company. It is assumed the company has other income. A capital loss thus is a positive decrease in taxes and is thus worth 50% (corporate tax rate) of the amount of the loss added to his cash proceeds from sale.

Cash Proceeds - this is money in hand after the sale. It is the sale price less the mortgage (which would be discharged) less any tax or plus any value attributable to a capital loss. Real estate commissions and other fees are not included.

Comparative Value - a hypothetical bank, bond or mortgage investment is considered. It is assumed to yield the same interest as the mortgage and the capitalization rate. Total comparative cash from the investment comes from the annual pre tax interest payments discounted by present value,

and from the present value of the principal in 5 years. This total is compared to the real estate, total pre tax present value of income and the present value of the cash proceeds he would have in hand after sale. To be competitive and compensate for risk the real estate investment should show a larger amount of money in hand than the safe hypothetical investment.

Income Property

Five Year Feasibility Analysis

Figure 1: Cash Flow and Tax Shelter

Year	Operating Profit (1)	Mortgage Payment (2)	Net Profit (3)=(1)-(2)	C.C.A. (4)	Taxable Income (5)=(3)-(4)	Tax Payable (6)	After Tax Income (7)=(3)-(6)	Excess C.C.A. (8)=(4)-(3)
1								
2								
3								
4								
5								

After Tax Value of Excess C.C.A. (9)=(8)÷ 2	After Tax Income Total Tax Sheltered (10)=(7)+(9)	Comparative Effective Pre Tax Income (11)	Equity (12)	Pre Tax Return on Equity (13)=(11)÷(12)	Present Value of Income (14)	Capitalized Value of Income (15)	Mortgage Principal (16)	Total Market Value (17)

Income Property

Five Year Feasibility Analysis

Figure 2: Capital Gain

Year 5 Market Value

less Cost

(1) Capital Gain

(2) Recapture (total C.C.A. reduced
by capital loss if applicable)

(3) Taxable Income (1)+(2) (loss)

(4) Paid Tax 50%

(5) Effective Value of Capital Loss
Tax Shelter (3)÷ 2

After Tax Available Cash Proceeds

(6)-(4) or (6)+(5) for Capital Loss

Figure 3: Comparative Value

Income Producing Real Estate

Present Value Income Stream Total

Present Value Capital Gain

Total

Conclusion

Cash received and paid

rec'd

mortgage

net (6)

Bank Investment

Annual Interest

Equity

Interest Rate

Annual Pre Tax

Income

Present Value of

All Income

Present Value of

Equity at end
of Year 5

TOTAL

Illustration 6: Renovation for Income

Typical Duplex,

Income Property: Five Year Feasibility Analysis

Assumptions:

- (1) Mortgage Rate, Capitalization Rate and Comparative Bank
Rate of Interest, 13%
- (2) Discount rate for inflation 8%

Income Property: Duplex

Five Year Feasibility Analysis

Figure 1: Cash Flow and Tax Shelter

Year	Operating Profit (1)	Mortgage Payment (2)	Net Profit (3)=(1)-(2)	C.C.A. Taxable Income (4) (5)=(3)-(4)	Tax Payable (6)	After Tax Income (7)=(3)-(6)	Excess C.C.A. (8)=(4)-(3)
1	\$ 9,000	\$ 7,800	\$ 1,200	\$ 4,500	0	\$ 1,200	\$ 3,300
2	9,540	7,800	1,740	4,275	0	1,740	2,535
3	10,112	7,800	2,312	4,061	0	2,312	1,749
4	10,719	7,800	2,919	3,858	0	2,912	939
5	11,362	7,800	3,562	3,665	0	3,562	103
				\$20,359			

After Tax Value of Excess C.C.A. (9)=(8)÷ 2	After Tax Income Plus Total Tax Sheltered Income (10)=(7)+(9)	Comparative Effective Pre Tax Income (11)	Equity (12)	Pre Tax Return on Equity (13)=(11)÷(12)	Present Value of Income (14)	Capitalized Value of Income (15)	Mortgage Principal (16)	Total Market Value (17)
\$ 1,650	\$ 2,850	\$ 5,700	\$70,000	8.1%	\$ 5,278	\$43,846	\$60,000	\$103,846
1,268	3,008	6,016	70,000	8.6%	5,156	46,277	60,000	106,277
875	3,187	6,374	70,000	9.1%	5,060	49,031	60,000	109,031
470	3,389	6,778	70,000	9.7%	4,982	52,138	60,000	112,128
52	3,614	7,228	70,000	10.3%	4,919	55,600	60,000	115,600
					\$25,395			

Income Property: Duplex
Five Year Feasibility Analysis

Figure 2: Capital Gain

Year 5 Market Value	\$115,600	Cash Received and Paid	\$115,600
Less Cost	<u>130,000</u>		<u>60,000</u> mortgage
(1) Capital Gain	(14,400)		55,600 (6)
(2) Recapture (total C.C.A. reduced by capital loss if applicable)	5,959		
(3) Taxable Income (1)+(2) (loss)	(8,441)		
(4) Paid tax 50%	0		
(5) Effective Value of Capital Loss Tax Shelter		4,221	
After Tax Available (6)-(4) or (6)+(5)		59,821	

Figure 3: Comparative Value
Income producing real estate

Present value Income Stream Total	\$25,395
Present value Capital Gain	\$40,713
TOTAL	\$66,108

Conclusion: not viable

Bank Investment Annual Interest

Equity	\$ 70,000
Interest rate 13%	
Annual pre tax income	9,100
Present value of all income 5 yr.	36,309
Present value of equity at end of Year 5	<u>47,600</u>
TOTAL	\$ 83,909

These illustrations do not refer to an actual building; detailed Case Studies follow. However, they are based on realistic values and illustrate points made by many in the business about renovation for rental.

(1) The combination of current interest rates and rent control limiting rent increases to 6% makes renovation for rental generally unfeasible.

(2) Some companies are, however, still in the business. They are in fact willing to take lower returns because they are speculating that the land value will increase due to a change in use or density some time in the future. Under these circumstances the capital gain on sale could be considerably more than that indicated by the rental income from a duplex. This is a very real possibility for central Toronto properties. The general applicability of this motivation may, however, be limited if properties are considered for renovation in less central, stable residential areas.

(3) Rental properties have variables that can make them pay. One option is to increase total floor area rental levels by making small units that yield proportionately higher rents than large units. This is occurring in areas of the City with 32.5 square metre (350 square foot) 'bachelorette' apartments. Also, a drop in the interest rate or higher increases in rent levels will make a significant difference to profitability. The rental owner has time to take advantage of these future possibilities. Another option with rent control is an upfront cash payment to secure the apartment. This may compensate for lower rents.

Section 3.2: Quick Feasibility Tests

The previous sections outlined the general financial parameters of renovation activity, and methods to use to assess profitability. Further complete renovation details and cost estimates have been prepared for typical renovation building types of interest to this study. These are presented in the following sections. The suburban proposal isn't complete due to data problems.

Each renovation approach will be considered for financial viability by the use of the following quick tests.

Property for Sale

- (1) The maximum sale price will of course vary by area, but \$150,000 is considered reasonable by current market standards for the type of house being analysed. Within this sale figure, would be \$10,000 for profit and \$9,000 in real estate commissions, leaving a net figure of \$131,000. For this study, if a reasonable purchase price plus the renovation cost, is within the \$131,000 figure, the renovation for sale will be considered viable.

Property for Rental

- (1) Rent levels also vary by area, but the following maximum monthly figures will be used.
 - \$ 650.00 for the economy single family renovation not including heat or hydro.
 - \$1000.00 for the luxury single family renovation not including heat or hydro.
 - \$ 400.00 - \$500.00 for a multiple unit one bedroom rental.
 - \$ 500.00 - \$600.00 for a multiple unit two bedroom rental.
 - \$ 800.00 for a multiple unit three bedroom rental.
 - all of the multiple unit rentals include all expenses.
- (2) For each rental situation the gross operating profit, before financing

will be calculated. This figure will then be used to calculate a pre tax rate of return on total invested capital. The total invested capital is the purchase price of the unrenovated building, plus renovation costs. If this rate of return is 2-3% less than the prevalent rate of interest, (13%) no amount of tax shelter benefits will help make the project viable. Placing a mortgage on a property like this is also fruitless. The result is what is termed "negative leverage" the mortgage will reduce the returns on equity rather than increase them. If these circumstances are in evidence the project will be considered not viable.

- (3) If the rate of return on invested capital is near the prevalent rate of interest (13%) than a complete financial analysis will be prepared using the full approach outlined previously.

Section 3.3: Single or Semi-Detached House

This section of the report details the renovation of a typical central Toronto, solid brick, two storey house. An actual house was used in the analysis but details have been changed to represent the typical experience encountered by the consultant architect to the study. The renovation options outlined for this structure are:

- an economy renovation for one family use
- a luxury renovation for one family use
- a duplex renovation for two family use

These proposals are called:

- 1A, 1B and 2 in the discussion which follows.

The building and the cost estimates for renovation are broken down by elements as follows:

ELEMENT	
1 SUBSTRUCTURE	6 INTERIOR FINISHES
(A) NORMAL FOUNDATIONS	(A) FLOOR FINISHES
(B) BASEMENT EXCAVATION & BACKFILL	(B) CEILING FINISHES
(C) SPECIAL FOUNDATIONS	(C) WALL FINISHES
2 STRUCTURE	7 FITTINGS & EQUIPMENT
(A) LOWEST FLOOR CONSTRUCTION	(A) FITTINGS & FIXTURES
(B) UPPER FLOOR CONSTRUCTION	(B) EQUIPMENT
(C) ROOF CONSTRUCTION	8 SERVICES
3 EXTERIOR CLADDING	(A) ELECTRICAL
(A) ROOF FINISH	(B) PLUMBING & DRAINS
(B) WALLS BELOW GROUND FLOOR	(C) HEATING, VENTILATION, AIR COND
(C) WALLS ABOVE GROUND FLOOR	9 SITE DEVELOPMENT
(D) WINDOWS	(A) GENERAL
(E) EXTERIOR DOORS & SCREENS	(B) SERVICES
(F) PROJECTIONS	(C) ALTERATIONS
4 INTERIOR PARTITIONS & DOORS	(D) DEMOLITION
(A) PERMANENT PARTITIONS & DOORS	10 OVERHEAD & PROFIT
(B) MOVABLE PARTITIONS & DOORS	(A) SITE OVERHEAD
(C) GLAZED PARTITIONS & DOORS	(B) HEAD OFFICE OVERHEAD & PROFIT
5 VERTICAL MOVEMENT	11 CONTINGENCIES
(A) STAIRS	(A) DESIGN CONTINGENCY
(B) ELEVATORS & ESCALATORS	(B) ESCALATION CONTINGENCY
	(C) POST CONTRACT CONTINGENCY

Section 3.3.1: The Structure, Introduction and Existing Conditions

Proposals 1A, 1B, 2

Semi-Detached Structure

Introduction:

The two-storey, semi-detached structure with basement lends itself to one-family or two-family residential uses. The principles incorporated in the layouts are also generally applicable to detached as well as row houses of a similar nature. The party wall in the row house and the semi-detached structure should have a minimum fire rating of 3/4-hour and STC of 45.

The 20'x140' lot allows for two parking spaces at the rear of the property. This is sufficient for both the one and two family proposals.

The basement is too far below grade to allow its use as a habitable space.

No major problems arise from Proposals 1A and 1B in connection with the Ontario Building Code. The Proposals outline two different approaches to the renovation of the structure for single-family use, an economy option and a luxury option. These delineate reasonable lower and upper budgetary limits of a private sector entrepreneur undertaking the renovation.

Proposal 1B includes a proposal to add a second storey to the breakfast room at the rear of the first floor. If the maximum floor area ratio for the zoning is 0.6, the new gross floor area of 1436 square feet does not exceed the allowable gross floor area of 1440. The basement area is not included in the calculations of gross floor area. If the maximum floor area ratio is less than 0.6, Committee of Adjustment approval will have to be obtained.

Proposal 2 is a moderate budget renovation for converting the structure for two-family use. In this case, Ontario Building Code requirements of Section 9 apply. Since the door to the second floor unit is at the first floor, a second exit is not required. However, a 3/4-hour rated fire separation, with a minimum STC rating of 45 is required through the second floor assembly between the units and in the wall between the ground floor and the entry. Further, an STC 45 separation is required between the laundry/mechanical and second floor storage areas of the basement and the ground floor unit above.

The provision of new separate heating plants, one for each unit, is required if the existing boiler is replaced by a forced-air system as part of the renovation work. In addition, separate electrical systems with independent meters is necessary.

Proposal 1A, 1B, 2

Semi-Detached Structure

Basic Checklist

Approximate date of construction - 1930-1940

BUILDING TYPE

Detached	_____
Attached one side	_____X_____
Attached both sides	_____

Number of Storeys - Below Grade	_____1_____
- Above Grade	_____2_____
(including ground floor)	

Lot Dimensions:	_____20'-0" x 120'-0"_____
-----------------	----------------------------

Total Lot Area:	_____2400 sq. ft._____
-----------------	------------------------

Number of existing parking spaces:	_____1_____
------------------------------------	-------------

Zoning of Property	_____
--------------------	-------

Zoning of adjacent properties - Side	_____
--------------------------------------	-------

- Side	_____
--------	-------

- Rear	_____
--------	-------

Lot orientation	_____N-S_____E-W_____
-----------------	-----------------------

Gross Building Area - Total (above grade)	_____1315 sq.ft._____	Floor to ceiling Height
Basement	_____700 sq.ft._____	7'-0"
Ground Floor	_____700 sq.ft._____	8'-1"
Upper Floors - 2nd.	_____615 sq.ft._____	8'-0"

PROPOSALS
1A, 1B, 2

SEMI-DETACHED STRUCTURE

EXISTING CONDITIONS - Elemental Checklist

<u>ELEMENT</u>	<u>CONDITION</u>			<u>TYPE</u>	<u>REMARKS</u>
	<u>GOOD</u>	<u>FAIR</u>	<u>POOR</u>		
1A	X			.unreinforced concrete	
1B	X			.existing	
1C					.not applicable
2A	X			.unreinforced concrete	.normal slight cracks
2B	X			.standard wood construction with internal load	.no settling
2C	X			.standard wood construction	
3A			X	.wood	.deteriorated condition
Eavestroughs, Downspouts			X	.Steel	.rusting, deteriorated condition
Roof Finish		X		.asphalt shingles	.no leaks, poor appearance
3B	X			.concrete block walls, (parged & dampproofed)	.no dampness
3C	X			.solid masonry wall	.20% of joints deter- iorated condition
		X		.wood strapping, lath & plaster	.no insulation, some cracking and loose plaster
3D		X		.wood frame double hung with alum. storms	.hardware worn, operable but poor condition
3E		X		.wood with alum. storms	.hardware worn, operable but poor condition

ELEMENT

CONDITION

TYPE

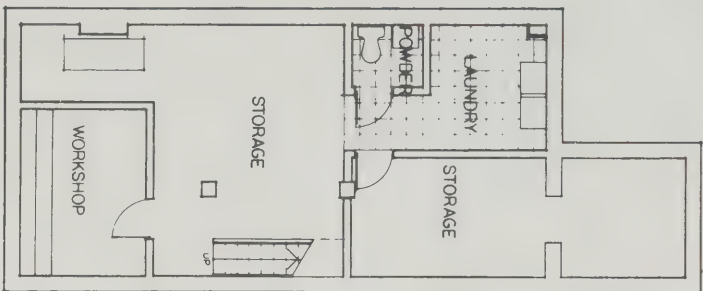
REMARKS

	<u>GOOD</u>	<u>FAIR</u>	<u>POOR</u>		
3F			X	.wood construction	.deteriorated condition
4A	X			.wood studs	
		X		.wood lath & plaster	.some plaster cracking and loose
		X		.wood panel doors	.hardware worn, operable but deteriorated condition
4B					.not applicable
4C					.not applicable
5A Exterior			X	.wood	.deteriorated condition, poor appearance
Basement		X		.rough wood	.poor appearance
Second Floor	X			.wood construction, oak finish	.no creaking
5B					.not applicable
6A Basement		X		.V.A.T.	.poor appearance
Upper Floors	X		X	.hardwood	
		X		.V.A.T.	.poor appearance
				.ceramic tile	.poor appearance
6B Basement				.no finish	
Upper Floors		X		.painted plaster on wood lath	.some cracking, & loose plaster, no water
6C Basement				.no finish	
Upper Floors		X		.painted plaster on wood lath	.some cracking and loose plaster
		X		.ceramic tile on walls	.poor appearance
7A Baths: Vanities Accessories Mirrors		X		.	.old, poor appearance
Kitchens: Counters Cabinets		X			.old, poor appearance
Closets: Shelving Doors			X		.too small
Fireplaces		X			.operable, but poor appearance

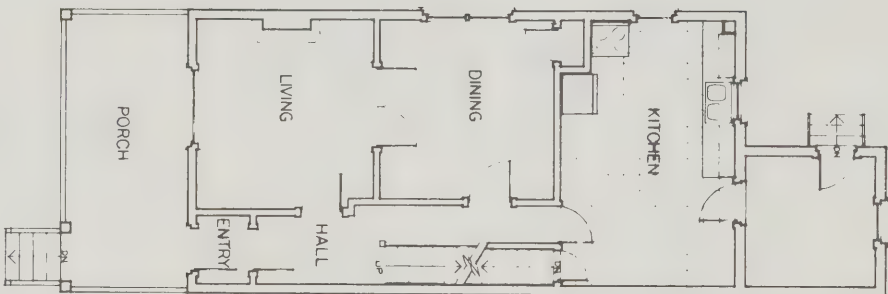
ELEMENT	CONDITION			TYPE	REMARKS
	GOOD	FAIR	POOR		
7A Stove, Refrigerator		X			.operable but old, poor appearance
7B		X			
8A Service		X		.60 amp.	.inadequate for modern standards.
Wiring		X		.copper	.insulation brittle
Outlets		X			.inadequate number for modern standards
Lighting Fixtures		X			.operable but old and poor appearance
Exterior Fixtures & Outlets			X		.no outlets, fixtures deteriorated condition
8B Floor Drains	X				
Stacks & Vents	X			.cast iron	
Water Supply			X	.galvanized	
Fixtures		X			.operable but poor appearance
Exterior Hose-Bibbs			X		.deteriorated condition
8C Plant		X		.oilfired furnace	.old, inefficient but operable
Distribution		X		.radiators	.old, inefficient but operable
9A Driveways & Sidewalks			X	.asphalt	
Garden			X	.grass	
Fence			X	.wood & wire	
Planting		X		.trees & hedges	.one nice tree
9B Electrical		X		.60 amp.	.inadequate for modern standards
Water		X		.½" line	
Sewers		X			.combined storm and sanitary
9C					.not applicable
9D					.not applicable

GENERAL NOTES

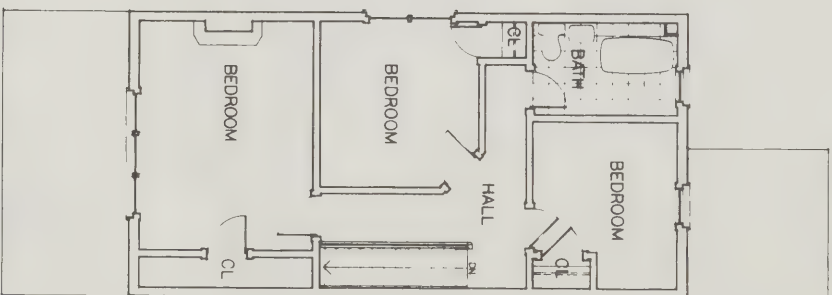
BASEMENT



GROUND FLOOR



SECOND FLOOR



SEMI-DETACHED STRUCTURE
EXISTING CONDITIONS

SCALE (IN FEET)



PROPOSAL
E1,2

Section 3.3.2: Economy Renovation for Sale or Rental; Design,
Construction Cost Estimate, and Financial Feasibility

1. 1973-1974 1975-1976 1977-1978 1979-1980 1981-1982 1983-1984 1985-1986 1987-1988 1989-1990 1991-1992 1993-1994 1995-1996 1997-1998 1999-2000 2001-2002 2003-2004 2005-2006 2007-2008 2009-2010 2011-2012 2013-2014 2015-2016 2017-2018 2019-2020 2021-2022 2023-2024 2025-2026 2027-2028 2029-2030 2031-2032 2033-2034 2035-2036 2037-2038 2039-2040 2041-2042 2043-2044 2045-2046 2047-2048 2049-2050 2051-2052 2053-2054 2055-2056 2057-2058 2059-2060 2061-2062 2063-2064 2065-2066 2067-2068 2069-2070 2071-2072 2073-2074 2075-2076 2077-2078 2079-2080 2081-2082 2083-2084 2085-2086 2087-2088 2089-2090 2091-2092 2093-2094 2095-2096 2097-2098 2099-2100 2101-2102 2103-2104 2105-2106 2107-2108 2109-2110 2111-2112 2113-2114 2115-2116 2117-2118 2119-2120 2121-2122 2123-2124 2125-2126 2127-2128 2129-2130 2131-2132 2133-2134 2135-2136 2137-2138 2139-2140 2141-2142 2143-2144 2145-2146 2147-2148 2149-2150 2151-2152 2153-2154 2155-2156 2157-2158 2159-2160 2161-2162 2163-2164 2165-2166 2167-2168 2169-2170 2171-2172 2173-2174 2175-2176 2177-2178 2179-2180 2181-2182 2183-2184 2185-2186 2187-2188 2189-2190 2191-2192 2193-2194 2195-2196 2197-2198 2199-2200 2201-2202 2203-2204 2205-2206 2207-2208 2209-2210 2211-2212 2213-2214 2215-2216 2217-2218 2219-2220 2221-2222 2223-2224 2225-2226 2227-2228 2229-2230 2231-2232 2233-2234 2235-2236 2237-2238 2239-2240 2241-2242 2243-2244 2245-2246 2247-2248 2249-2250 2251-2252 2253-2254 2255-2256 2257-2258 2259-2260 2261-2262 2263-2264 2265-2266 2267-2268 2269-2270 2271-2272 2273-2274 2275-2276 2277-2278 2279-2280 2281-2282 2283-2284 2285-2286 2287-2288 2289-2290 2291-2292 2293-2294 2295-2296 2297-2298 2299-2300 2301-2302 2303-2304 2305-2306 2307-2308 2309-2310 2311-2312 2313-2314 2315-2316 2317-2318 2319-2320 2321-2322 2323-2324 2325-2326 2327-2328 2329-2330 2331-2332 2333-2334 2335-2336 2337-2338 2339-2340 2341-2342 2343-2344 2345-2346 2347-2348 2349-2350 2351-2352 2353-2354 2355-2356 2357-2358 2359-2360 2361-2362 2363-2364 2365-2366 2367-2368 2369-2370 2371-2372 2373-2374 2375-2376 2377-2378 2379-2380 2381-2382 2383-2384 2385-2386 2387-2388 2389-2390 2391-2392 2393-2394 2395-2396 2397-2398 2399-2400 2401-2402 2403-2404 2405-2406 2407-2408 2409-2410 2411-2412 2413-2414 2415-2416 2417-2418 2419-2420 2421-2422 2423-2424 2425-2426 2427-2428 2429-2430 2431-2432 2433-2434 2435-2436 2437-2438 2439-2440 2441-2442 2443-2444 2445-2446 2447-2448 2449-2450 2451-2452 2453-2454 2455-2456 2457-2458 2459-2460 2461-2462 2463-2464 2465-2466 2467-2468 2469-2470 2471-2472 2473-2474 2475-2476 2477-2478 2479-2480 2481-2482 2483-2484 2485-2486 2487-2488 2489-2490 2491-2492 2493-2494 2495-2496 2497-2498 2499-2500 2501-2502 2503-2504 2505-2506 2507-2508 2509-2510 2511-2512 2513-2514 2515-2516 2517-2518

[illegible]

1200 sq. ft. ranch-style house with a deck, den, dining room, kitchen/breakfast area, living room, and porch. The plan includes furniture layouts and labels for various rooms and features.

Labels and features on the plan:

- CLOSETTING
- EXISTING CASE, REFRIG.
- NEW KITCHEN CASE
- EXISTING CL. SPACE
- EXISTING CASE, REFRIG.
- EXISTING STOVE
- NEW 1 1/2" FLOOR
- NEW GRANITE WOOD DOOR
- EXISTING WOOD DOOR
- PAINT THROUGH
- DECK
- DEN
- DINING ROOM
- KITCHEN/BREAKFAST
- LIVING ROOM
- HALL
- CL. ENTRY
- PORCH

1,200 sq. ft. ranch-style house with a deck. The plan includes a living room, dining room, kitchen, two bedrooms, a master bedroom, a bathroom, and a deck. The layout is as follows:

- Living Room:** Located at the front left, featuring a fireplace and a large window.
- Dining Room:** Adjacent to the living room, containing a dining table and chairs.
- Kitchen:** Located at the front right, equipped with a sink, stove, and refrigerator.
- Bedroom:** A standard bedroom located at the back left.
- Master Bedroom:** A larger bedroom located at the back right, featuring a fireplace and a large window.
- Bathroom:** Located between the two bedrooms at the back.
- Hall:** A central hallway connecting the bedrooms, bathroom, and living areas.
- Deck:** A large outdoor deck located at the front of the house, accessible from the living and dining areas.

SEMI-DETACHED STRUCTURE
ONE-FAMILY PROPOSAL
ECONOMY OPTION

SCALE (IN FEET)

0 1 2 3 4 5 6 7 8 9

1A

A. J. VERMEULEN
33 CENTRE STREET EAST
RICHMOND HILL ONTARIO
416 884 1868 L4C 1A3

RESIDENTIAL REHAB/CONVERSION 75476
PROPOSAL 1A 4 51 R48 REV 1
W.G.ANDERSON/LESLIE M.KLEIN 416 960 3362
2 FEB 86 GROSS FLOOR AREA 2071 SF

ELEMENT	AMOUNT	COST PER SF		TOTAL	%
1 SUBSTRUCTURE	0				
(A) NORMAL FOUNDATIONS	0	0.00			
(B) BASEMENT EXCAVATION & BACKFILL	0	0.00			
(C) SPECIAL FOUNDATIONS	0	0.00	0.00	0	0
2 STRUCTURE	110				
(A) LOWEST FLOOR CONSTRUCTION	110	0.05			
(B) UPPER FLOOR CONSTRUCTION	0	0.00			
(C) ROOF CONSTRUCTION	0	0.00	0.05	110	1
3 EXTERIOR CLADDING	3780				
(A) ROOF FINISH	730	0.35			
(B) WALLS BELOW GROUND FLOOR	150	0.07			
(C) WALLS ABOVE GROUND FLOOR	390	0.19			
(D) WINDOWS	500	0.24			
(E) EXTERIOR DOORS & SCREENS	100	0.09			
(F) PROJECTIONS	1830	0.88	1.83	3780	19
4 INTERIOR PARTITIONS & DOORS	1730				
(A) PERMANENT PARTITIONS & DOORS	1730	0.84			
(B) MOVABLE PARTITIONS & DOORS	0	0.00			
(C) GLAZED PARTITIONS & DOORS	0	0.00	0.84	1730	9
5 VERTICAL MOVEMENT	100				
(A) STAIRS	100	0.05			
(B) ELEVATORS & ESCALATORS	0	0.00	0.05	100	0
6 INTERIOR FINISHES	3240				
(A) FLOOR FINISHES	1450	0.70			
(B) CEILING FINISHES	490	0.24			
(C) WALL FINISHES	1300	0.63	1.56	3240	16
7 FITTINGS & EQUIPMENT	2930				
(A) FITTINGS & FIXTURES	2930	1.41			
(B) EQUIPMENT	0	0.00	1.41	2930	15
8 SERVICES	3760				
(A) ELECTRICAL	1220	0.59			
(B) PLUMBING & DRAINS	1310	0.63			
(C) HEATING, VENTILATION, AIR CONDITIONING	1230	0.59	1.82	3760	19
9 SITE DEVELOPMENT	1020				
(A) GENERAL	500	0.24			
(B) SERVICES	0	0.00			
(C) ALTERATIONS	0	0.00			
(D) DEMOLITION	520	0.25	0.49	1020	5
10 OVERHEAD & PROFIT	3500				
(A) SITE OVERHEAD	2000	0.97			
(B) HEAD OFFICE OVERHEAD & PROFIT	1500	0.72	1.69	3500	17
11 CONTINGENCIES	0				
(A) DESIGN CONTINGENCY	0	0.00			
(B) ESCALATION CONTINGENCY	0	0.00			
(C) POST CONTRACT CONTINGENCY	0	0.00	0.00	0	0

Financial Feasibility, Proposal 1A
Economy Renovation for Sale or Rental

Property for Sale

- original House Price:	\$55,000
- Cost of Renovation:	<u>\$20,170</u>
- Total Cost of Renovated Property:	\$75,170

Conclusion

This property is well within the \$131,000 market. It would probably be sold for about \$90,000.

Property for Rental

- Original House Price:	\$55,000
- Cost of Renovation:	<u>\$20,170</u>
- Total Cost of Renovated Property:	\$75,170

- The building is rented for \$650.00 a month and the rentor pays heat and hydro.

- Operating Profit Calculation

Gross Revenue (\$650x12)	\$ 7,800
Operating Expenses	
Taxes	\$ 700
Water	\$ 80
Insurance	\$ 150
Misc.	<u>\$ 200</u>
	\$ 1,130
	<u>\$ 1,130</u>
Operating Profit:	\$ 6,670

- Pre-tax Return on Total Invested

Capital:	<u>\$ 6,670</u>	
	\$75,170	8.9%

Conclusion

This property has rental returns that are well below the market rate of interest of 13%. It is not a viable rental situation.

Section 3.3.3: Luxury Renovation for Sale or Rental; Design,
Construction Cost Estimate and Financial Feasibility

A.J. VERHEULEN
33 CENTRE STREET EAST
RICHMOND HILL ONTARIO
416 884 1868 L4C 1A3

RESIDENTIAL REHAB/CONVERSION
PROPOSAL 1B 4 49 R48 REV 0
W.G. ANDERSON/LESLIE M. KLEIN 416 968 0500
2 FEB 80 GROSS FLOOR AREA 2154 SF

ELEMENT	AMOUNT	COST PER SF		TOTAL	%
1 SUBSTRUCTURE	0				
(A) NORMAL FOUNDATIONS	0	0.00			
(B) BASEMENT EXCAVATION & BACKFILL	0	0.00			
(C) SPECIAL FOUNDATIONS	0	0.00	0.00	0	0
2 STRUCTURE	1620				
(A) LOWEST FLOOR CONSTRUCTION	220	0.10			
(B) UPPER FLOOR CONSTRUCTION	980	0.45			
(C) ROOF CONSTRUCTION	420	0.19	0.75	1620	7
3 EXTERIOR CLADDING	19390				
(A) ROOF FINISH	2810	1.30			
(B) WALLS BELOW GROUND FLOOR	1440	0.67			
(C) WALLS ABOVE GROUND FLOOR	3330	1.55			
(D) WINDOWS	6880	3.19			
(E) EXTERIOR DOORS & SCREENS	1250	0.58			
(F) PROJECTIONS	3680	1.71	9.00	19390	24
4 INTERIOR PARTITIONS & DOORS	6000				
(A) PERMANENT PARTITIONS & DOORS	6000	2.79			
(B) MOVABLE PARTITIONS & DOORS	0	0.00			
(C) GLAZED PARTITIONS & DOORS	0	0.00	2.79	6000	8
5 VERTICAL MOVEMENT	900				
(A) STAIRS	900	0.42			
(B) ELEVATORS & ESCALATORS	0	0.00	0.42	900	1
6 INTERIOR FINISHES	8050				
(A) FLOOR FINISHES	3200	1.49			
(B) CEILING FINISHES	2290	1.06			
(C) WALL FINISHES	2560	1.19	3.74	8050	10
7 FITTINGS & EQUIPMENT	9820				
(A) FITTINGS & FIXTURES	7120	3.31			
(B) EQUIPMENT	2700	1.25	4.56	9820	12
8 SERVICES	15600				
(A) ELECTRICAL	3500	1.62			
(B) PLUMBING & DRAINS	5100	2.37			
(C) HEATING, VENTILATION, AIR CONDITIONING	7000	3.25	7.24	15600	20
9 SITE DEVELOPMENT	9200				
(A) GENERAL	8700	4.04			
(B) SERVICES	0	0.00			
(C) ALTERATIONS	0	0.00			
(D) DEMOLITION	500	0.23	4.27	9200	12
10 OVERHEAD & PROFIT	9000				
(A) SITE OVERHEAD	6000	2.79			
(B) HEAD OFFICE OVERHEAD & PROFIT	3000	1.39	4.18	9000	11
11 CONTINGENCIES	0				
(A) DESIGN CONTINGENCY	0	0.00			
(B) ESCALATION CONTINGENCY	0	0.00			
(C) POST CONTRACT CONTINGENCY	0	0.00	0.00	0	0

Financial Feasibility, Proposal 1B
Luxury Renovation for Sale or Rental

Property for Sale

- Original House Price :	\$ 55,000
- Cost of Renovation:	<u>\$ 79,580</u>
- Total Cost of Renovated Property:	\$134,580

Conclusion

This property is slightly above the \$131,000 market. It would probably still be viable, depending on the area although the renovator would be hard pressed to make a high profit on this project.

Property for Rental

- Original House Price:	\$ 55,000
- Cost of Renovation:	<u>\$ 79,580</u>
- Total Cost of Renovated Property:	\$134,580

The building is rented for \$1,000.00 a month and the rentor pays the heat and hydro.

- Operating Profit Calculation	
Gross Revenue (1000x12)	\$ 12,000
Operating Expenses	
Taxes	\$ 900
Water	\$ 80
Insurance	\$ 150
Misc.	<u>\$ 200</u>
	\$1,330
	<u>\$ 1,330</u>
Operating Profit:	\$ 10,670

-Pre tax Return on Total Invested Capital:	
	<u>\$ 10,670</u>
	\$134,580
	7.9%

Conclusion:

Rental returns are well below 13%. This is not a viable rental situation.

Section 3.3.4: Duplex Renovation for Rental; Design,
Construction Cost Estimate and Financial Feasibility

A. J. VERMEULEN
33 CENTRE STREET EAST
RICHMOND HILL ONTARIO
416 884 1868 L4C 1A3

RESIDENTIAL REHAB/CONVERSION 79476
PROPOSAL 2 4 50 R48 REV 3
W.G.ANDERSON/LESLIE M.KLEIN 416 960 0362
2 FEB 80 GROSS FLOOR AREA 2071 SF

ELEMENT	AMOUNT	COST PER SF		TOTAL	%
1 SUBSTRUCTURE	1630				
(A) NORMAL FOUNDATIONS	0	0.00			
(B) BASEMENT EXCAVATION & BACKFILL	0	0.00			
(C) SPECIAL FOUNDATIONS	1630	0.79	0.79	1630	2
2 STRUCTURE	780				
(A) LOWEST FLOOR CONSTRUCTION	230	0.11			
(B) UPPER FLOOR CONSTRUCTION	560	0.27			
(C) ROOF CONSTRUCTION	0	0.00	0.38	780	1
3 EXTERIOR CLADDING	14500				
(A) ROOF FINISH	3040	1.47			
(B) WALLS BELOW GROUND FLOOR	0	0.00			
(C) WALLS ABOVE GROUND FLOOR	900	0.43			
(D) WINDOWS	3780	1.83			
(E) EXTERIOR DOORS & SCREENS	2600	0.97			
(F) PROJECTIONS	4780	2.31	7.06	14500	20
4 INTERIOR PARTITIONS & DOORS	7700				
(A) PERMANENT PARTITIONS & DOORS	7700	3.72			
(B) MOVABLE PARTITIONS & DOORS	0	0.00			
(C) GLAZED PARTITIONS & DOORS	0	0.00	3.72	7700	12
5 VERTICAL MOVEMENT	350				
(A) STAIRS	350	0.17			
(B) ELEVATORS & ESCALATORS	0	0.00	0.17	350	1
6 INTERIOR FINISHES	6310				
(A) FLOOR FINISHES	2100	1.01			
(B) CEILING FINISHES	1330	0.64			
(C) WALL FINISHES	2880	1.39	3.05	6310	10
FITTINGS & EQUIPMENT	7520				
(A) FITTINGS & FIXTURES	4720	2.26			
(B) EQUIPMENT	2800	1.35	3.63	7520	12
8 SERVICES	15000				
(A) ELECTRICAL	4000	1.93			
(B) PLUMBING & DRAINS	5000	2.41			
(C) HEATING, VENTILATION, AIR CONDITIONING	6000	2.90	7.24	15000	23
9 SITE DEVELOPMENT	4060				
(A) GENERAL	3760	1.82			
(B) SERVICES	0	0.00			
(C) ALTERATIONS	0	0.00			
(D) DEMOLITION	300	0.14	1.96	4060	6
10 OVERHEAD & PROFIT	7500				
(A) SITE OVERHEAD	5000	2.41			
(B) HEAD OFFICE OVERHEAD & PROFIT	2500	1.21	3.62	7500	11
11 CONTINGENCIES	0				
(A) DESIGN CONTINGENCY	0	0.00			
(B) ESCALATION CONTINGENCY	0	0.00			
(C) POST CONTRACT CONTINGENCY	0	0.00	0.00	0	0

Financial Feasibility, Proposal 1B

Duplex, Two Family

Property for Rental

- Original House Price:	\$ 55,000
- Cost of Renovation:	<u>\$ 65,350</u>
- Total Cost of Renovated Property:	\$120,350

The building is rented for:

\$600.00 a month for the ground floor unit (assume the den is equal to another bedroom)

\$400.00 a month for the 1 bedroom second floor unit.

Total rental revenue is \$1,000 a month.

- Operating Profit Calculation

Gross Revenue (\$1000x12)	\$ 12,000
---------------------------	-----------

Operating Expenses

Both Unit Heat:	\$ 700	
Hydro:	\$ 400	
Taxes:	\$ 900	
Water:	\$ 120	
Insurance :	\$ 150	
Misc.maintenance:	<u>\$ 300</u>	
	\$ 2,570	\$ 2,570

Operating Profit:	\$ 9,430
-------------------	----------

-Pre tax Return on Total Invested Capital:

<u>\$ 9,430</u>	
\$120,350	7.8%

Conclusion:

Rental returns are well below 13%. This is not a viable rental situation.

Section 3.4: Space Above Ground Level Retail

This section of the report considers the renovation of space above retail stores. Older urban areas have a considerable stock of this type of three storey strip retail building. Typically the building, is built to the sidewalk and is long and narrow back from the street. No side windows are possible because the building is immediately next to its neighbours. The design challenge is to make useable residential space out of this situation. This has been accomplished in the approach following:

The renovation options for this structure are:

- an economy one family renovation for rental
- a luxury one family renovation for rental
- a two family renovation for rental

These proposals are called 3A, 3B and 4 in the discussion which follows.

Section 3.4.1: The Structure, Introduction and Existing Conditions

Proposals 3A, 3B, 4

Space Above Ground Level Retail

Introduction:

The semi-detached structure shown, contains three storeys and a basement, the ground floor being utilized for retail purposes and the basement for related storage. The proposals deal only with rehabilitation of the existing space at the second and third floors for residential purposes. The layouts illustrated incorporate principles generally applicable to detached and row structures of a similar nature.

The 18'x150' lot can accommodate at least two parking spaces at the rear, sufficient for both the one and two-family units. It is assumed that no additional parking will be required for the retail store.

The layouts all propose framing in a light well opening on the third floor, and proposal 4 incorporates an addition at the rear of the building of approximately 80 square feet per floor. The increase of area to 2640 square feet in proposal 4 is within the allowable gross floor area of 2700 square feet under a maximum floor area ratio of 1.0. If the allowable floor area ratio is less than 1.0, Committee of Adjustment approval will be required to obtain permits to construct the additional area.

The proposals outline an economy option and a luxury option for the renovation of the upper two floors for single-family use, and a median budget proposal for conversion to two-family use. The work undertaken is within the reasonable monetary constraints imposed on the private sector entrepreneur carrying out the renovation.

Provision of a residential occupancy above a mercantile occupancy imposes certain requirements on the structure. The Ontario Building Code

requires that the supporting structure of the floor assembly separating the mercantile and residential occupancies be of noncombustible construction. Furthermore, the floor assembly as well as the wall separating the residential unit stair from the store are required to have a one hour fire rating and a minimum sound attention rating of STC 45. In addition, in Proposal 4, doors between residential units and walls between the units and the stairwell are required to carry a 3/4-hour rating and a minimum STC rating of 45.

In order to allow direct access to the residential unit from the outside, (or in Proposal 4, direct access to the residential units interior stairwell), the existing entrance at the face of the building was removed, the existing entrance and glazing to the store retained, and a new exterior door provided at the foot of the stair to the second floor. A second means of egress for Proposals 3A and 3B was provided via a new wood stair at the rear of the structure, extending from a new wood deck at the second floor. In Proposal 4, this exterior wood stair was extended to the third floor deck to provide the required second means of egress from the topmost unit.

The provision of separate new heating plants for the store and for the units is required only if the existing boiler and distribution system are removed and replaced with a forced-air system.

Proposals 3A, 3B, 4 - Space Above Ground Floor Retail

Basic Checklist

Approximate date of construction - 1890-1900

BUILDING TYPE

Detached	_____
Attached one side	_____ X _____
Attached both sides	_____

Number of Storeys - Below Grade	_____ 1 _____
- Above Grade	_____ 3 _____
(including ground floor)	

Lot Dimensions:	_____ 18'-0" x 150'-0" _____
-----------------	------------------------------

Total Lot Area:	_____ 2700 sq. ft. _____
-----------------	--------------------------

Number of existing parking spaces:	_____ 2 _____
------------------------------------	---------------

Zoning of Property	_____
--------------------	-------

Zoning of adjacent properties - Side	_____
- Side	_____
- Rear	_____

Lot orientation	N-S	<u>E-W</u>
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Gross Building Area - Total (above grade)	2200 sq.ft.	Floor to ceiling Height
Basement	800 sq.ft.	7'-4"
Ground Floor	800 sq.ft.	10'-6"
Upper Floors - 2nd.	800 sq.ft.	9'-5"
- 3rd.	600 sq.ft.	8'-6"

Historical Designation Yes _____ No _____

Types of Uses: Residential Office Retail Storage Other

Basement _____ X

Ground Floor _____ X

Upper Floors - 2nd _____ X

 - 3rd _____ X

Orientation of Major Roof Surfaces
(Suitability of Solar Heating Application)

NORTH _____ SOUTH _____ EAST _____ X _____ WEST _____ X _____

PROPOSALS
3A, 3B, 4

SPACE ABOVE GROUND LEVEL RETAIL

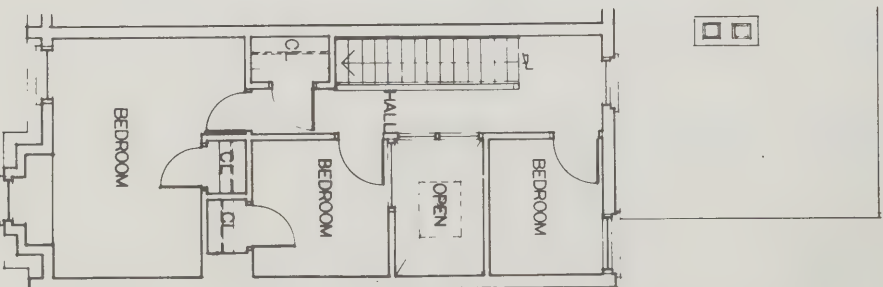
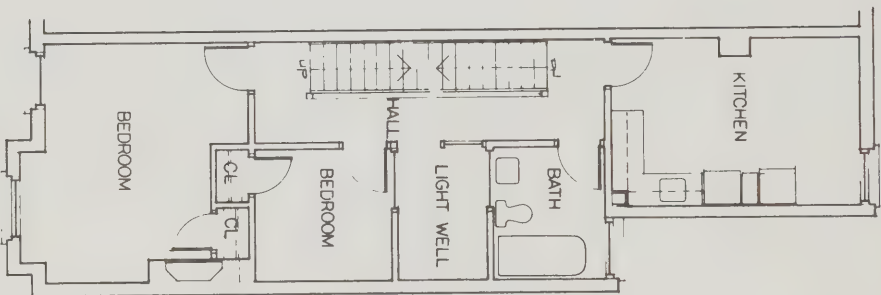
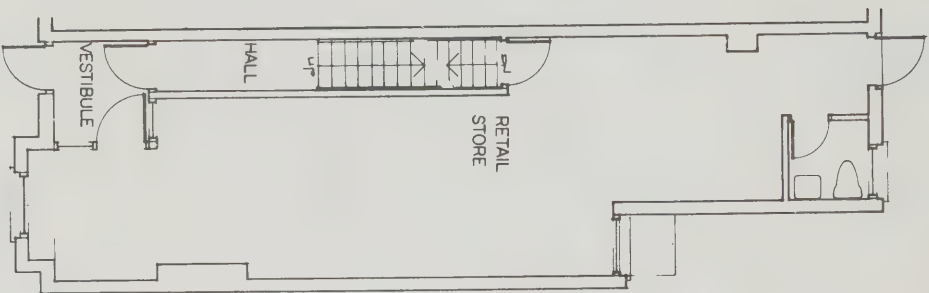
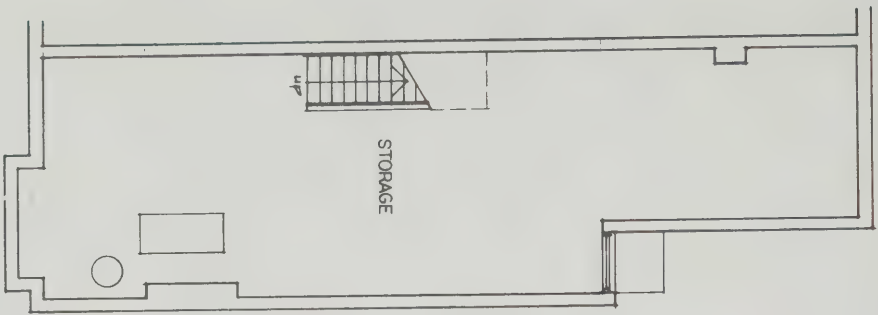
EXISTING CONDITIONS - Elemental Checklist

<u>ELEMENT</u>	<u>CONDITION</u>			<u>TYPE</u>	<u>REMARKS</u>
	<u>GOOD</u>	<u>FAIR</u>	<u>POOR</u>		
1A	X			.stone	.good conditions
1B	X				.existing
1C					.not applicable
2A	X			.unreinforced concrete	.cracks
	X			.standard wood construction clear width spans to load bearing masonry walls	.negligible settling
	X			.standard flat roof construction	
3A Downspout & Eavestroughs			X	.galvanized	.deteriorated condition
Fascias & Soffits			X	.wood	.deteriorated condition
Roof Finish			X	.built up roofing	.deteriorated condition
Exterior Wall			X	.stone	.some water damage
3B					
3C		X		.brick	.50% bricks, deteriorated condition(at roof) .40% deteriorated condition
			X	.wood strapping lath & plaster	.deteriorated condition .no insulation, cracking & loose plaster with large patched areas
3D		X		.no storms,wood frame	.hardware worn, operable but poor appearance
3E		X		.no storms, wood frame	.operable but poor appearance
3F					.not applicable

ELEMENT	CONDITION			TYPE	REMARKS
	GOOD	FAIR	POOR		
4A	X		X	.wood studs .wood lath & plaster	. .cracked & loose plaster deteriorated condition
			X	.wood panel doors	.poor quality, second generation hardware operable but deteriorated condition
4B					.no work
4C		X		.store front	
5A Exterior		X			.not applicable
Basement		X		.rough wood	.poor appearance
Upper Floors		X		.wood construction, pine finish	.worn & creaking
5B					.not applicable
6A Basement		X		.no finish	
Ground Floor		X		.V.A.T./carpet	
Upper Floor		X		.hardwood	.some stains & damage
			X	.linoleum	.deteriorated condition poor appearance
6B Basement				.no finish	
Ground Floor			X	.pressed metal ceiling	.deteriorated condition
Upper Floors			X	.painted plaster on wood lath	.deteriorated condition loose & cracking plaster some water damage
6C Basement		X		.no finish	
Ground Floor		X		.gypsum board (painted)	
Upper Floors			X	.painted plaster on wood lath	.deteriorated condition loose & cracking plaster
				.ceramic tiles	.deteriorated condition

<u>ELEMENT</u>	<u>CONDITION</u>			<u>TYPE</u>	<u>REMARKS</u>
	<u>GOOD</u>	<u>FAIR</u>	<u>POOR</u>		
7A Baths: Vanities Accessories Mirrors			X		.old, poor appearance
Kitchens: Counters Cabinets			X		.old, poor appearance
Closets: Shelving Doors		X			.too small
Fireplaces: Main floor Second Floor			X		.blocked up
7B Stoves Refridgerator		X X			.old but operable, .poor appearance
8A Service: Store Upper	X	X		.100 amp. . 60 amp.	.split service & metering
Wiring: Store Upper	X		X	.BX .double wiring	
Outlets: Store Upper	X		X		.inadequate number
Lighting Fixtures: Store Upper	X		X		.old, poor appearance
Exterior Fixtures & Outlets: Store	X				.none
8B Floor Drains Stacks & Vent	X	X		.cast iron	.some corrosion
Water supply		X		.galvanized	.sufficient pressure
Fixtures			X		.operable but poor appearance
8C Plant		X		.second genera- tion oil fired furnance	.somewhat inefficient but operable
Distribution:		X		.hot water radiator	.old, inefficient, but operable.

<u>ELEMENT</u>		<u>CONDITION</u>			<u>TYPE</u>	<u>REMARKS</u>
		<u>GOOD</u>	<u>FAIR</u>	<u>POOR</u>		
9A	Driveway			X	.asphalt	
	Sidewalk		X		.concrete	
9B	Electrical: Store Upper	X	X		.100 amp. . 60 amp	.insufficient for modern standards
	Water		X		. $\frac{1}{2}$ " line	
	Sewers		X			.combined storm & sanitary
9C						.not applicable
9D						.not applicable



BASEMENT

GROUND FLOOR

SECOND FLOOR

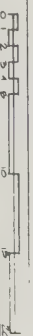
THIRD FLOOR

GENERAL NOTES



SPACE ABOVE GROUND LEVEL
EXISTING CONDITIONS

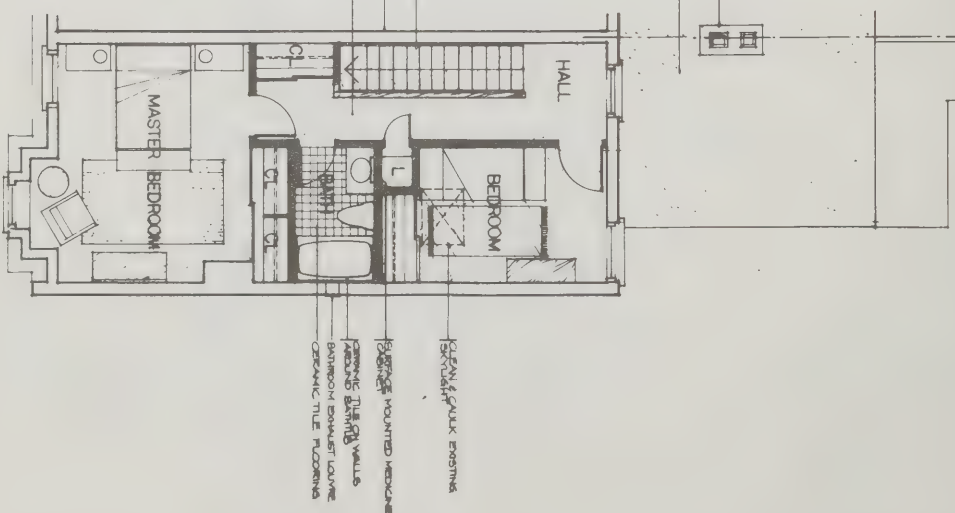
SCALE (IN FEET)



E3,4

PROPOSAL

Section 3.4.2: Economy One Family Renovation for Rental; Design,
Construction Cost Estimate, and Financial Feasibility



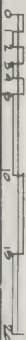
THIRD FLOOR

PROPOSAL

3A



SCALE (IN FEET)



3A

W.G. VERMEULEN
 33 CENTRE STREET EAST
 RICHMOND HILL ONTARIO
 416 884 1868 L4C 1A3

RESIDENTIAL BUILDING CONVERSION
 PROPOSAL 3A 4 59 R48 REV 4
 W.G. ANDERSON-LESLIE M. KLEIN 416 960 0362
 15 FEB 80 GROSS FLOOR AREA 1490 SF

ELEMENT	AMOUNT	COST PER SF		TOTAL	%
SUBSTRUCTURE	0				
(A) NORMAL FOUNDATIONS	0	0.00			
(B) BASEMENT EXCAVATION & BACKFILL	0	0.00			
(C) SPECIAL FOUNDATIONS	0	0.00	0.00	0	0
STRUCTURE	2380				
(A) LOWEST FLOOR CONSTRUCTION	2000	1.36			
(B) UPPER FLOOR CONSTRUCTION	250	0.17			
(C) ROOF CONSTRUCTION	0	0.00	1.53	2380	5
EXTERIOR CLADDING	11160				
(A) ROOF FINISH	1180	2.13			
(B) WALLS BELOW GROUND FLOOR	0	0.00			
(C) WALLS ABOVE GROUND FLOOR	3350	2.58			
(D) WINDOWS	1386	0.83			
(E) EXTERIOR DOORS & SCREENS	880	0.54			
(F) PROJECTIONS	3120	1.42	7.50	11160	25
INTERIOR PARTITIONS & DOORS	2290				
(A) PERMANENT PARTITIONS & DOORS	2290	1.54			
(B) MOVABLE PARTITIONS & DOORS	0	0.00			
(C) GLAZED PARTITIONS & DOORS	0	0.00	1.54	2290	5
VERTICAL MOVEMENT	200				
(A) STAIRS	200	0.13			
(B) ELEVATORS & ESCALATORS	0	0.00	0.13	200	0
INTERIOR FINISHES	9670				
(A) FLOOR FINISHES	2800	1.88			
(B) CEILING FINISHES	1580	1.06			
(C) WALL FINISHES	5290	3.55	6.49	9670	22
FITTINGS & EQUIPMENT	3730				
(A) FITTINGS & FIXTURES	2730	1.83			
(B) EQUIPMENT	1000	0.67	2.50	3730	8
SERVICES	6420				
(A) ELECTRICAL	2560	1.72			
(B) PLUMBING & DRAINS	2320	1.49			
(C) HEATING, VENTILATION, AIR CONDITIONING	1540	1.10	4.31	6420	14
SITE DEVELOPMENT	1050				
(A) GENERAL	380	0.26			
(B) SERVICES	0	0.00			
(C) ALTERATIONS	0	0.00			
(D) DEMOLITION	750	0.50	0.70	1050	3
OVERHEAD & PROFIT	7700				
(A) SITE OVERHEAD	4400	2.95			
(B) HEAD OFFICE OVERHEAD & PROFIT	3300	2.21	5.17	7700	17
CONTINGENCIES	0				
(A) DESIGN CONTINGENCY	0	0.00			
(B) ESCALATION CONTINGENCY	0	0.00			
(C) POST CONTRACT CONTINGENCY	0	0.00	0.00	0	0

Financial Feasibility, Proposal 3A
Economy One Family Renovation

Property for Rental

- Portion of total building cost attributable to housing:	\$ 36,000
(This is an estimate based on housing floor space being 40% approx. of the total building floor space including the basement which is useable for retail. The estimated unrenovated building cost is \$90,000)	
- Cost of Renovation:	<u>\$ 44,520</u>
- Total Cost of Renovated Housing Portion of Building:	\$ 80,520
- The apartment is rented for \$600.00 a month.	
- Operating Profit Calculation	
Gross Revenue (\$600x12)	\$ 7,200
Operating Expenses:	
Heat:	\$ 500
Hydro:	\$ 300
Taxes:	\$ 800
Water:	\$ 80
Insurance:	\$ 150
Misc.	<u>\$ 200</u>
	\$ 1,230
	<u>\$ 1,230</u>
Operating Profit:	\$ 5,970
-Pre tax Return on Total Invested Capital:	<u>\$5,970</u> 7.4%
	\$80,520
-Pre-tax Return on Cost of Renovation:	
	<u>\$ 5,970</u>
	\$44,520 13.4%

Conclusion:

This could be a feasible housing renovation possibility. The essential question is how much of the original building cost to attribute to the housing portion. If the rentals from the retail can yield reasonable returns on the total building cost, then this housing renovation is quite feasible.

For example:

- Total Building Cost		\$ 90,000
- Assume the basement front is excavated giving two levels of retail space 1600 sq. ft.		
- Renovation cost \$30 sq. ft. interior improvements left to tenant.		
- Renovation cost for retail		\$ 48,000
- Total Invested Capital \$138,000 building and retail.		
- Rent \$10 sq. ft. net tenant pays all operating		
- Gross Revenue (1600x\$10)		\$ 16,000
- Pre-tax Return on Invested Capital:	<u>\$ 16,000</u>	
	\$138,000	11.6%

This appears to be a feasible renovation both for the housing and the retail. A detailed analysis of the retail portion of the building has not been prepared as part of this study, thus a complete five year feasibility analysis is not presented.

Section 3.4.3: Luxury One Family Renovation for Rental; Design,
Construction Cost Estimate and Financial Feasibility

$$\begin{aligned} \{F + G\} &= \{F\} + \{G\} \\ &= \{F\} + \{G\} \\ &= \{F\} + \{G\} \end{aligned}$$

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38.93      58000  100
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Financial Feasibility, Proposal 3B

Luxury One Family Renovation

Property for Rental

- Portion of total building cost attributable to housing (same as previous assumption):		\$ 36,000
- Cost of Renovation:		<u>\$ 58,000</u>
- Total Cost of Renovated Housing Portion of the Building:		\$ 94,000
- The apartment is rented for \$800.00 a month.		
- Operating Profit Calculation		
Gross Revenue (\$800x12)		\$ 9,600
Operating Expenses: (same)	\$ 1,230	<u>\$ 1,230</u>
Operating Profit:		\$ 8,370
-Pre-tax Return on Total Invested Capital		
	<u>\$ 8,370</u>	
	\$94,000	8.9%
-Pre-tax Return on Cost of Renovation:		
	<u>\$ 8,370</u>	
	\$58,000	14.4%

Conclusion:

With similar assumptions about the returns from the retail portion of the building, covering the investment in the total original structure cost, the renovation for the housing portion is feasible. With the tax benefits, Capital Cost Allowance, rent escalation potential and probable Capital Gain on sale, this investment is very competitive with a bank or mortgage investment at 13%.

Section 3.4.4: Two Family Renovation for Rental; Design,
Construction Cost Estimate and Financial Feasibility

Financial Feasibility, Proposal 4
Two Family Renovation

Property for Rental

- Portion of total building cost attributable to housing (same assumptions):		\$ 36,000
- Cost of Renovation:		<u>\$ 69,780</u>
- Total Cost of Renovated Housing Portion of Building:		\$105,780
- The second floor apartment is rented for \$500.00 a month.		
- The third floor apartment for \$400.00 a month.		
- Total rental revenue is:	\$900.00 a month.	
- Operating Profit Calculation		
Gross Revenue (\$900x12)		\$ 10,800
Operating Expenses:		
Both units: Heat:	\$ 600	
Hydro:	\$ 400	
Taxes:	\$ 800	
Water:	\$ 120	
Insurance:	\$ 150	
Misc.maintenance:	<u>\$ 300</u>	
	\$2,370	<u>\$ 2,370</u>
Operating Profit:		\$ 8,430
-Pre-tax Return on Total Invested Capital:		
	<u>\$8,430</u>	
	\$105,780	8.0%
-Pre-tax Return on Cost of Renovation:		
	<u>\$8,430</u>	
	\$ 69,780	12.1%

Conclusion:

The two family housing option is feasible with the retail assumptions as in the other space above ground level retail cases.

15 FEB 80 0005Z PLUP AFER 10
 15 FEB 80 0005Z PLUP AFER 10

W & V COMPUTER LIMITED

Section 3.5: Four Storey 18 Unit Apartment Building

Most large urban areas have a considerable stock of three and four storey walk up apartments built prior to 1950. This section of the report considers the feasibility of bringing one of these buildings up to modern but not luxurious standards. The renovation proposal is called number 5 in the discussion which follows.

Section 3.5.1: The Structure, Introduction and Existing Conditions

Proposal 5

Four Storey 18-unit Apartment Building

Introduction

The detached structure occupies a corner lot, and is being used as a residential structure. It contains eighteen units at this time, but the building has not been properly maintained, shows signs of increasing deterioration and does not meet current standards of residential buildings. The proposal outlined envisions a moderate budget renovation, aimed primarily at upgrading the services, the finishes and the exits to modern standards. No additional area is being added to the building.

Though the work proposed in this option is highly specific, the general approach may be applicable to a large segment of the current stock of older, unrenovated apartment buildings. The choice of work to be undertaken, the extent and the quality of the work depends to a great degree on the existing condition of the building, the available funds, and the standard to which the suites are being designed.

The building occupies nearly the entire lot on which it is sited. No private off-street parking is provided. However, since the number of units is not being increased, and the scope of work extends only to upgrading the existing structure, no additional parking requirements are being imposed by the municipality.

The existing exit conditions are not acceptable under the Ontario Building Code. Thus the existing central stair must be removed, and a new stair inserted into the central core of the building as shown. This stair requires a minimum 3/4-hour fire separation from suites and corridors and a minimum STC rating of 45 to the suites. The stair extends to the ground floor to provide a second means of egress from this area. At the first floor the stair exits into the front lobby, which has been provided

with a new interior lobby door. This door is fitted with new hardware. The lobby is equipped with a fire alarm and fire detection system annunciator panel, as well as a call panel and new mailboxes. The stairway has 3/4-hour rated wired glass partitions, hollow metal frames at the corridors as a design feature, and in accordance with the situation at the rear stair.

The ground floor, though below grade, is useable for habitation since it has sufficient floor to ceiling height and sufficient window area in each room to meet the requirements of the Ontario Building Code.

The wall and floor assemblies separating units are required to have a 3/4-hour fire rating and a minimum STC rating of 45. Storage lockers, laundry room and management office must be separated from adjacent units and units above by assemblies with a minimum STC of 45. The mechanical room requires a one hour fire enclosure and the electrical room requires a one hour fire enclosure.

Proposal 5

Four Storey - 18 unit Apartment Building

Basic Checklist

Approximate date of construction - 1915-1925

BUILDING TYPE

Detached	<u>X</u>
Attached one side	<u> </u>
Attached both sides	<u> </u>
Number of Storeys - Below Grade	<u>1</u>
- Above Grade	<u>3</u>
(including ground floor)	

Lot Dimensions: 76'-6" x 106'-0"

Total Lot Area: 8090 sq.ft.

Number of existing parking spaces: nil

Zoning of Property

Zoning of adjacent properties - Side

- Side

- Rear

Lot orientation N-S E-W (corner lot)

Gross Building Area - Total (above grade) 19,150 sq.ft. Floor to ceiling Height

Ground Floor 4,995 sq.ft. 8'-0"

First Floor 4,745 sq.ft. 8'-2"

Second Floor 4,705.5 sq.ft. 8'-2"

Third Floor 4,705.5 sq.ft. 8'-2"

Historical Designation

Yes _____ No _____

<u>Types of Uses:</u>	Residential	Office	Retail	Storage	Other Mechanical/ Laundry Electrical
Ground Floor	X	X		X	
First Floor	X				
Second Floor	X				
Third Floor	X				

Orientation of Major Roof Surfaces
(Suitability for Solar Heating Application)

NORTH _____X_____ SOUTH _____X_____ EAST _____ WEST _____X_____

PROPOSAL 5

Four Storey - 18 Unit Apartment Building

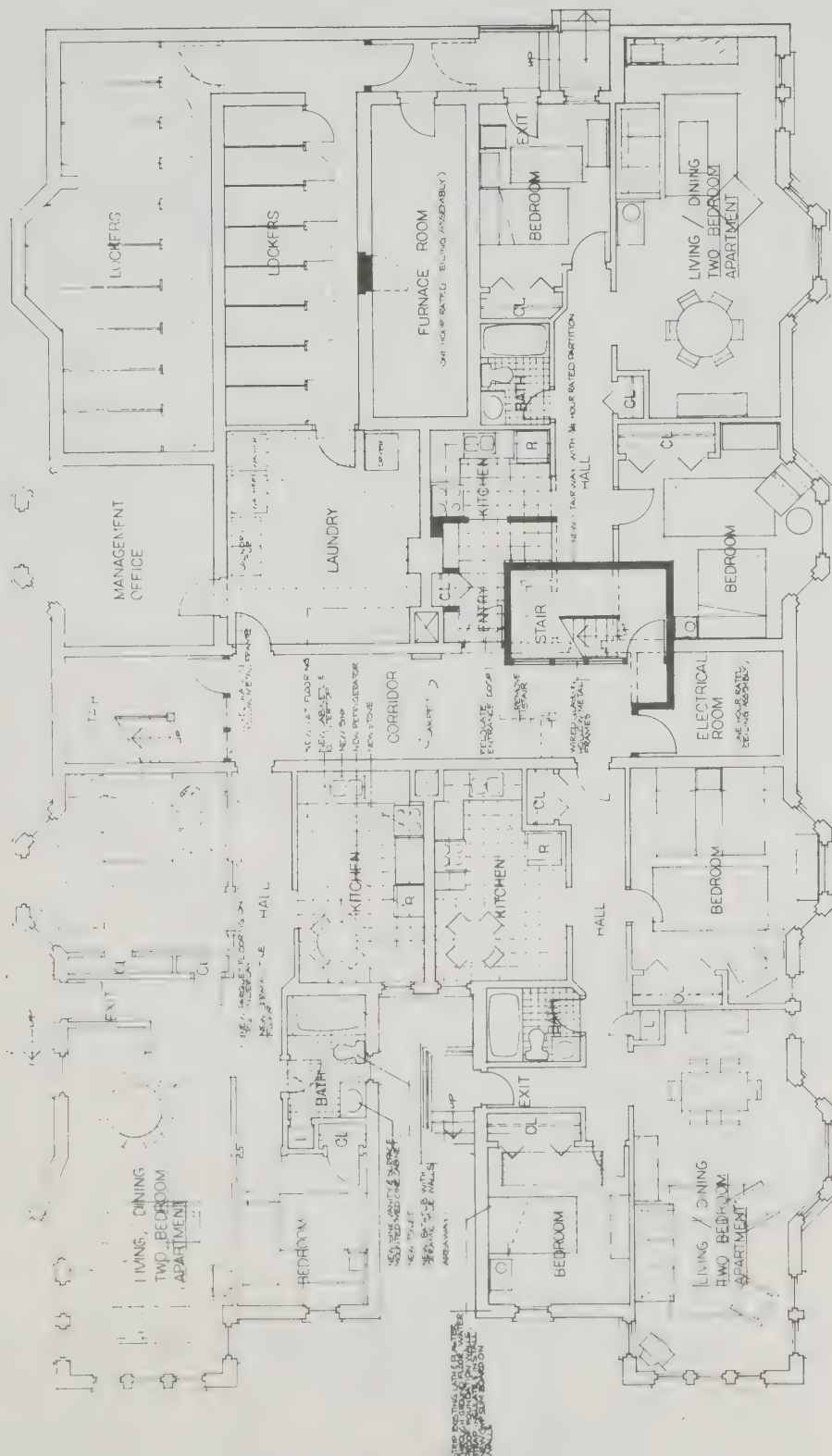
EXISTING CONDITIONS - Elemental Checklist

<u>ELEMENT</u>	<u>CONDITION</u>			<u>TYPE</u>	<u>REMARKS</u>
	<u>GOOD</u>	<u>FAIR</u>	<u>POOR</u>		
1A	X			.stone	.some slight water marking but in good condition
1B	X				.existing
1C					.not applicable
2A	X			.unreinforced con- rete	.some cracking
2B	X			.standard wood con- struction, spans to load bearing mas- onry and load be- aring wood part- itions	.minimal heaving .negligible settling
2C	X			.standard wood flat roof construction	
3A		X			.clogged, some corrosion deteriorated condition
		X		.metal	.some deteriorate condition .some poor appearance
			X	.built-up flat roof	.deteriorated condition
3B		X		.stone, wood strap- ping, lath & plaster	.some water damage
3C		X		.brick, wood strap- ping, lath, plaster	.5% bricks deteriorated condition (at roof) .20% joints, deteriorated condition, finish fair condition, no insulation some cracking

<u>ELEMENT</u>	<u>CONDITION</u>			<u>TYPE</u>	<u>REMARKS</u>
	<u>GOOD</u>	<u>FAIR</u>	<u>POOR</u>		
3D		X		.no storm, wood frame	.hardware worn but operable, appearance fair
3E Ground Floor Exit Doors		X		.no storms, wood frame	.operable but poor appearance
Entrance Door		X		.wood with glazing wood frames	.hardware worn but door good condition
Rear Stair Exit door		X		.wood with glazing wood frames	.hardware worn but door good condition
3F		X		.wrought iron rail, steel slat door	.rail good appearance, but security a problem
4A	X	X		.wood studs .wood lath, plaster	.some cracked & loose plaster
	X			.wood panel doors	.good appearance good condition
4B					.not applicable
4C Entrance screen		X		.wood frame single glazed	.needing some repair but good appearance
Rear stair screens		X		.wood frame wired glass	.
5A Rear stair	X			.steel with terrazzo treads	.some deterioration in terrazzo treads
Central stair		X		.wood treads, rail	.some wear and creaking
Front entrance steps	X			.concrete	
5B					.not applicable
6A ground floor		X		.carpet with under lay. V.A.T. in kitchens	.some damage, stains poor appearance
Upper Floors		X		.hardwood. V.A.T. in kitchens	.some damage, stains
Bathrooms			X	.ceramic tile	.deteriorated condition poor appearance
6B		X		.painted plaster on wood lath	.some cracking, damage some water damage upper floors
6C		X		.painted plaster on wood lath	.some cracking, damage
Bathrooms			X	.ceramic tile	.deteriorated condition poor appearance

ELEMENT	CONDITION			TYPE	REMARKS
	GOOD	FAIR	POOR		
7A Baths: Vanities Accessories Mirrors			X	.	.old, poor appearance
Kitchens: Counters Cabinets			X		.old, poor appearance
Closets: Shelving Doors		X			.most shelves old, poor appearance
7B Stoves Refrigerators		X			.too small, operable but poor appearance
8A Service		X		.200 amp service	.Inadequate for modern standards
Wiring			X	.double wiring	.inadequate for modern standards
Outlets			X	.	.inadequate number
Lighting fixtures			X	.	.old, poor appearance
Exterior fixtures and Outlets		X			
8B Roof Drains		X			
Stacks & vents		X		.cast iron	.some corrosion
Water Supply		X		.galvanized	.sufficient pressure
Fixtures			X		.generally operable but poor appearance
8C Plant			X	.oil fired hot water boiler	.old and becoming unreliable
Distribution		X		.hot water radiators	.some radiators clogged, some vents unions and valves need reconditioning
9A Sidewalks		X		.concrete	
Lawn Area			X		.grass deteriorated condition, bare patches
9B Electrical					.insufficient for modern standards
Water		X			
Sewers		X			
9C					.not applicable
9D					.not applicable

Section 3.5.2: Moderate Budget Renovation for Rental; Design
Construction Cost Estimate, and Financial Feasibility



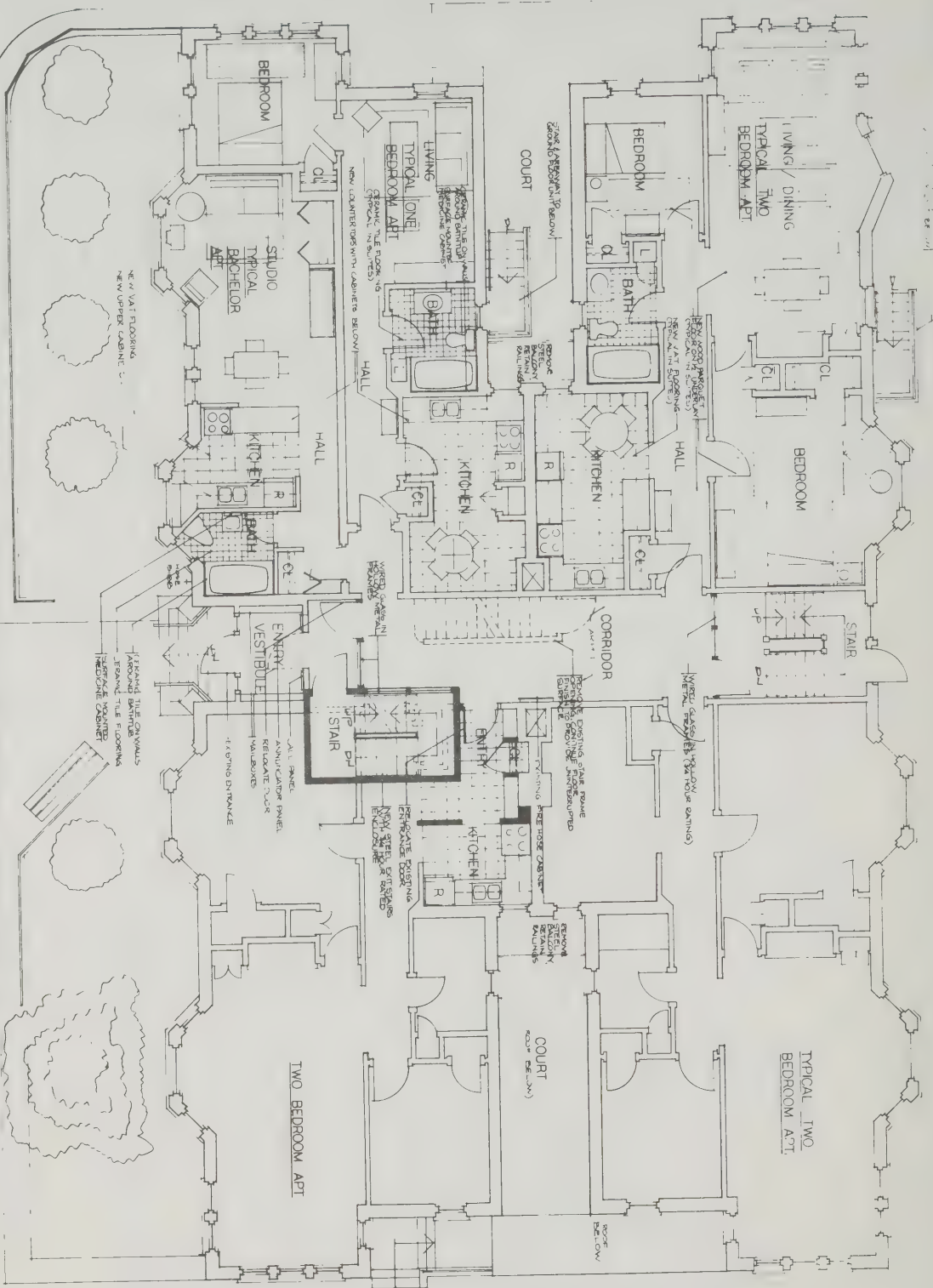
GROUND FLOOR

GENERAL NOTES

FOUR STOREY 18 UNIT APARTMENT BLDG.
MEDIAN RENOVATION PROPOSAL



SCALE (IN FEET) 0 5 10 15 20



FIRST FLOOR

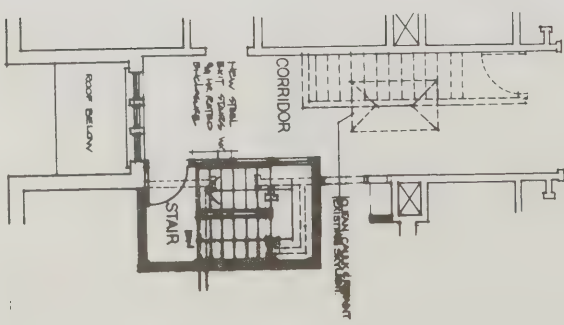
GENERAL NOTES

1. ALL NEW WORK SHALL BE IN ACCORDANCE WITH THE LATEST EDITIONS OF THE BUILDING CODES AND STANDARDS.
2. ALL MATERIALS AND WORKMANSHIP SHALL BE SUBJECT TO INSPECTION AND APPROVAL BY THE CITY ENGINEER.
3. ALL ELECTRICAL WORK SHALL BE IN ACCORDANCE WITH THE NATIONAL ELECTRICAL CODE (NEC).
4. ALL PLUMBING WORK SHALL BE IN ACCORDANCE WITH THE PLUMBING CODE.
5. ALL MECHANICAL WORK SHALL BE IN ACCORDANCE WITH THE MECHANICAL CODE.
6. ALL FINISHES SHALL BE IN ACCORDANCE WITH THE ARCHITECT'S SPECIFICATIONS.
7. ALL EQUIPMENT SHALL BE INSTALLED IN ACCORDANCE WITH THE MANUFACTURER'S INSTRUCTIONS.
8. ALL WORK SHALL BE COMPLETED WITHIN THE SPECIFIED TIME FRAME.
9. ALL COSTS SHALL BE SUBJECT TO THE APPROVAL OF THE OWNER.
10. ALL CHANGES SHALL BE SUBJECT TO THE APPROVAL OF THE ARCHITECT.



FOUR STOREY 18 UNIT APARTMENT BLDG.
MEDIAN RENOVATION PROPOSAL

SCALE (IN FEET)



W. J. VERMEULEN
CENTRE STREET E.
DUNDAS HILL, ONTARIO
416 684 1868 L4C 1A7

RESIDENTIAL DEVELOPMENT
CONSTRUCTION PROPOSAL NO. 4 63 R40 REV. 1
H.G. ANDERSON-LEWIS & M. KLEIN 416 960 4462
22 FEB 80 CROSS FLOOR AREA 19364 SF

ELEMENT	AMOUNT	COST PER SF		TOTAL	
SUBSTRUCTURE	0				
(A) NORMAL FOUNDATIONS	0	0.00			
(B) BASEMENT EXCAVATION & BACKFILL	0	0.00			
(C) SPECIAL FOUNDATIONS	0	0.00	0.00	0	0
STRUCTURE	7780				
(A) LOWEST FLOOR CONSTRUCTION	800	0.04			
(B) UPPER FLOOR CONSTRUCTION	5940	0.30			
(C) ROOF CONSTRUCTION	1040	0.05	0.39	7780	2
EXTERIOR CLADDING	76800				
(A) ROOF FINISH	19650	0.99			
(B) WALLS BELOW GROUND FLOOR	4850	0.24			
(C) WALLS ABOVE GROUND FLOOR	18040	0.91			
(D) WINDOWS	30000	1.52			
(E) EXTERIOR DOORS & SCREENS	2050	0.10			
(F) PROJECTIONS	3000	0.15	3.86	76800	18
INTERIOR PARTITIONS & DOORS	27840				
(A) PERMANENT PARTITIONS & DOORS	16250	0.82			
(B) MOVABLE PARTITIONS & DOORS	0	0.00			
(C) GLAZED PARTITIONS & DOORS	11550	0.58	1.40	27840	7
VERTICAL MOVEMENT	8220				
(A) STAIRS	8220	0.41			
(B) ELEVATORS & ESCALATORS	0	0.00	0.41	8220	2
INTERIOR FINISHES	78830				
(A) FLOOR FINISHES	40410	2.03			
(B) CEILING FINISHES	12160	0.61			
(C) WALL FINISHES	26260	1.32	3.96	78830	19
FITTINGS & EQUIPMENT	48250				
(A) FITTINGS & FIXTURES	30250	1.52			
(B) EQUIPMENT	18000	0.90	2.43	48250	11
SERVICES	105390				
(A) ELECTRICAL	41770	2.10			
(B) PLUMBING & DRAINS	41130	2.07			
(C) HEATING, VENTILATION, AIR CONDITIONING	22490	1.13	5.30	105390	25
SITE DEVELOPMENT	18660				
(A) GENERAL	9660	0.44			
(B) SERVICES	0	0.00			
(C) ALTERATIONS	0	0.00			
(D) DEMOLITION	10000	0.50	0.94	18660	4
OVERHEAD & PROFIT	53000				
(A) SITE OVERHEAD	34000	1.71			
(B) HEAD OFFICE OVERHEAD & PROFIT	19000	0.96	2.66	53000	12
CONTINGENCIES	0				
(A) DESIGN CONTINGENCY	0	0.00			
(B) ESCALATION CONTINGENCY	0	0.00			
(C) POST CONTRACT CONTINGENCY	0	0.00	0.00	0	0

Financial Feasibility, Proposal 5

Four Storey 18-Unit Apartment Building Median Renovation Proposal

Property for Rental

- Unrenovated total building cost:	(unavailable for interim report)
- Cost of Renovation:	\$424,770
- Rental Schedule:	
3 bachelor apts. @ \$250.00 a month	\$ 750
3-1 bedroom apts. @ \$400.00 a month	\$ 1,200
12-2 bedroom apts. @ \$500.00 a month	<u>\$ 6,000</u>
Total Gross Revenue:	\$ 7,950
- Operating Profit Calculation	
Annual Gross Revenue (\$7950x12)	\$ 95,400
Operating Expenses:	
Estimate 25% of Gross:	\$ 23,850
Vacancy Allowance 2.5% of Gross:	<u>\$ 2,385</u>
	\$ 26,235
Operating Profit:	\$ 69,165
-Pre-tax Return on Total Invested Capital:	(unavailable for interim report)
	<u>\$ 69,165</u>
-Capitalized Value of Operating Profit at 13%:	
	<u>\$ 69,165</u>
	.13
	\$532,038
-Maximum Building Cost to yield a 13% return	
(\$532,038 - \$424,770)	\$107,268

Conclusion:

The renovation of the apartment building is not feasible at these rents. The \$107,000 cost estimate for the original building, to create a reasonable return, is not a realistic purchase price for this type of building.

Section 3.6: Conclusions

(1) All of the renovation for sale options are economically feasible given the appropriate area of the City, where the real estate market can support the sale prices as indicated.

(2) The renovation for rental of space above ground level retail is feasible, if the rent from the retail space can provide an adequate return on the entire original structure cost. This appears possible which leaves the income from the rental residential portion available to create an adequate return on the residential renovation costs.

(3) All other rental options; rental of the single family house, economy and luxury, the duplex, and the apartment building, are not feasible at current levels of interest. A 2% drop in the interest rate to 11% would probably make the apartment renovation feasible. The other rental situations would probably need a combination of a 2% drop in the interest rate and the ability to increase rents at rates above 6% a year, to make them feasible.

Section 4: Scope of Current Renovation Activity, City of Toronto

This study has developed a set of statistics to attempt to identify how large the current renovation market is. The City of Toronto Building Permit records were used as the basic source of data. This data was classified by housing types that were of interest for this study and combined with other data files. Data is presented by house type and by City Ward. City totals only are discussed in this section. Ward breakdowns and a complete review of data used is contained in the Appendix.

A general word of caution is needed before discussion of these figures. Building permit data is unreliable in several significant respects. Firstly, a great deal of renovation work is done without building permits. This is particularly true of turning a house into a two family duplex. Some sources suggest the number of buildings undergoing renovation work is actually at least twice as high as the figures suggest for some parts of the City. Since the renovation focus of this study is on companies in the renovation business, one would expect these to be better indicated by permits. Thus, the data may be a more accurate reflection of renovation for profit than it is of all renovation. This should be kept in mind when considering the economic impact of renovation presented in the Final Report based on these figures. It is not the full renovation impact.

Secondly, the data collection is inconsistent. The files are maintained to keep track of the permit, not to accurately record the house structure type. In particular, the breakdown between detached and other house types may be inaccurate. Also, building permit values do not reflect the value of work done. Persons applying for permits routinely give permit values that are one half to one quarter of the actual value. This saves money on permit fees which are a percentage of the value of work. Thus, the value ranges for permit fees indicated in the tables should be used to indicate lesser or greater degrees of work done, not absolute amounts that show potential profit if compared to increases in prices.

The following types of tables have been developed:

- (1) Residential Building Permits for Alterations and Additions that create Extra Dwelling Units for 1976 to 1979.

This table attempts to isolate potential new rental units created through housing renovation. It is based on a listing of all residential properties that created or lost housing units in each year.

- (2) Residential Building Permits with Resales.

This table is produced from a specially programmed computer cross tabulation of all the residential properties that had both building permits issued 1976 to 1979 and a property sale 1975-1979. These properties were listed by Ward and municipal address and permits and sales printed out in a date sequence order. Properties were then selected that had the sequence of property sale, permit and sale. From the approximately 7,000 properties with permits and sales, 1,074 had this sequence. This latter figure is considered to represent the size of the profit making renovation for resale business, not the total sphere of renovation including individuals renovating their own houses. The 1,074 figure is not an annual figure, nor is it a four year figure. Since renovation can take place over several years, some renovations will not show up in the original years because the first sale is before 1975 and some renovations will not show up in the last years because they will be sold in 1980 or 1981. The 1,074 figure may be considered a reasonable two year figure at best.

Standard Structural Definitions Used

Detached House (Det) - a structure with one dwelling only, not attached to another structure.

Semi-detached and Row (Semi and Row)

Semi - a single dwelling unit structure attached by one vertical wall to another dwelling unit, from ground to roof and separated by open space from all other buildings.

Row - a dwelling unit in a row of three or more dwellings.

Duplex (Dup) - two dwelling units, one above the other (each having a separate entrance) contained in a single building.

Apartment (Apt) - a multiple dwelling unit building other than a row or semi-detached. Includes triplexes, fourplexes, double duplexes.

Boarding House (Brdg) - a single house occupied by a number of households that do not have separate dwelling units.

Dwelling Unit - a structurally separate set of living quarters with kitchen and bathroom and with a separate private entrance from outside or from a common hall or stairway inside the building.

Mixed (Mix) - residential dwelling units over retail stores, generally less than 5 storeys in height.

TABLE 1: City of Toronto Changes in Numbers of Dwelling Units,
Created by Alterations and Additions to Existing
Residential Properties: 1976 to 1979

YEAR	STRUCTURE TYPE											
	HOUSE		DUPLEX		APT.		MIX.		BRDG.		TOTAL	
	Add	Loss*	A	L	A	L	A	L	A	L	A	L
1979	149	68	1	-	9	3	4	-	114	-	277	71
1978	152	41	-	4	25	49	11	4	218	6	406	104
1977	141	37	-	-	60	14	30	4	100	6	331	61
1976	166	30	-	-	63	30	9	10	58	7	296	77
Total	608	176	1	4	157	96	54	18	490	19	1310	313

* Add and Loss refers to new dwelling units created and existing dwelling units lost.

Source: City of Toronto Building Department, Building Permit Records.
Tabulation by W.G. Anderson Planning & Research.

TABLE 2: City of Toronto
Building Permits Issued for New Dwelling Units

YEAR	Single Dwellings	Cottages	Semi-Detached (Double Units)	Row Housing	Apt.	Conversions	TOTAL
(Jan.to Oct.)							
1979 (full year)	43	-	108	212	2,077	141	2,581
1978	37	-	115	341	1,714	111	2,318
1977	56	-	98	155	2,994	100	3,403
1976	38	-	108	133	1,294	143	1,716
1975	51	-	84	58	2,568	128	2,889

Source: Building Permits - Annual Summary
Catalogue 64-203 - Annual
Statistics Canada

TABLE 3: Residential Building Permits 1976 - 1979 With
Resales 1975 - 1979

Summary Total Number of Buildings by Ward

<u>WARD</u>		<u>STRUCTURE TYPE</u>						
		<u>DET</u>	<u>SEMI & ROW</u>	<u>TOT.HOUSE</u>	<u>DUP</u>	<u>APT</u>	<u>MIX</u>	<u>BRDG</u>
Ward 1	52	19	22	41	0	2	6	3
Ward 2	57	10	20	30	-	3	8	16
Ward 3	43	18	15	33	-	1	9	--
Ward 4	64	13	33	46	-	1	16	1
Ward 5	125	30	64	94	1	5	10	15
Ward 6	90	7	51	58	-	3	15	14
Ward 7	260	43	187	230	-	1	15	11
Ward 8	115	42	57	99	-	-	16	--
Ward 9	81	19	33	52	3	7	17	2
Ward 10	115	71	32	103	1	1	6	4
Ward 11	72	53	14	67	1	1	3	-
<hr/>								
City :								
Total:	1074	325	528	853	6	25	124	66
<hr/>								

Source: City of Toronto Building Department, Building Permit
Records, and T.E.E.L.A. Property Sales Data.
Special tabulations prepared by Ministry of Housing and
W.G. Anderson, Planning and Research.

**WARD BOUNDARIES
OF THE
CITY OF TORONTO**

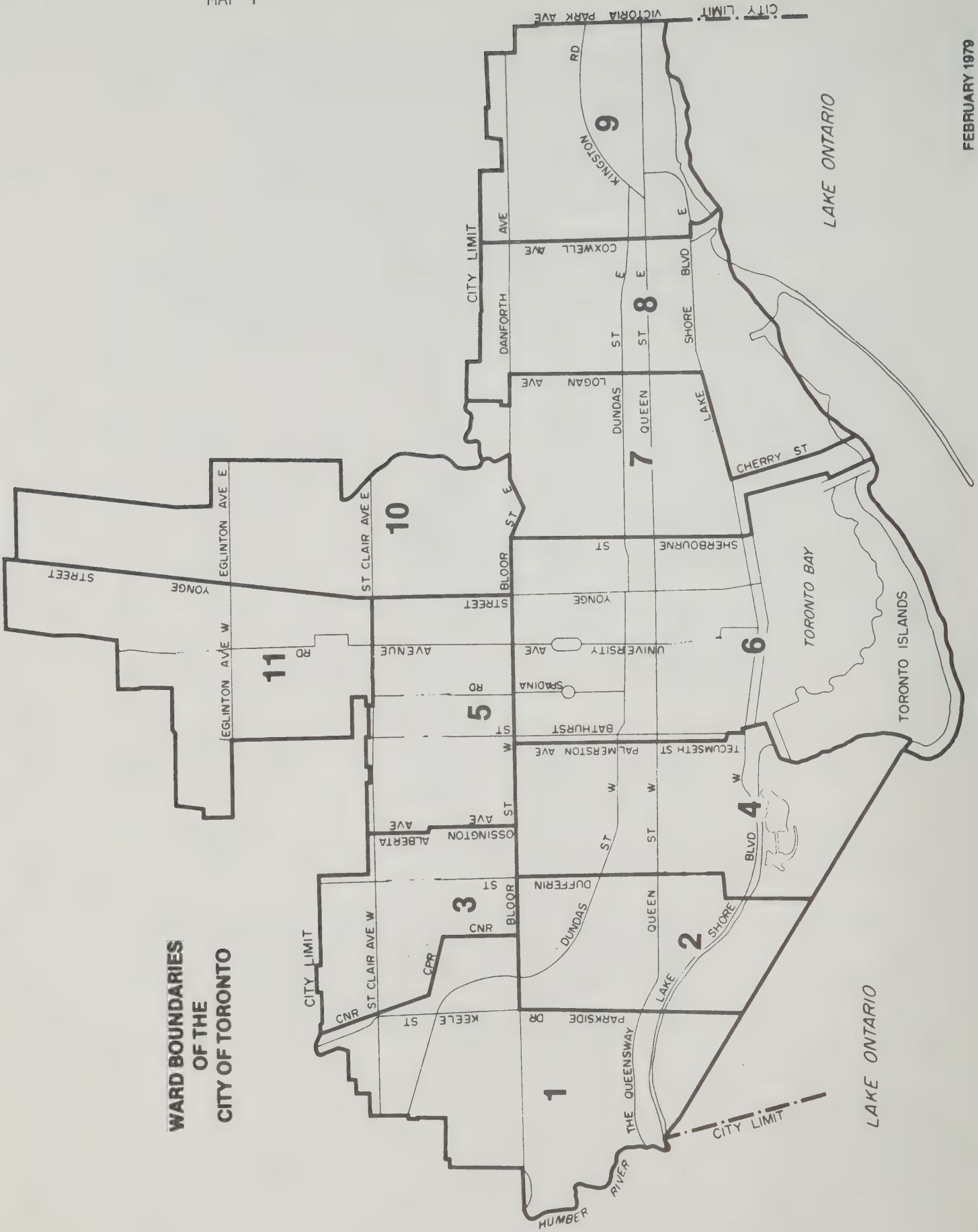


TABLE 4: Residential Building Permits 1976-1979, With Resales 1975-1979
Annual Increases in Prices of Renovated Residential Buildings *

CITY TOTALS ALL WARDS												
STRUCTURAL TYPE	PERMIT VALUE	\$ 0 - \$10,000	\$10,001 - \$20,000	\$20,001 - \$30,000	\$30,001 - \$40,000	\$40,001 - \$50,000	\$50,001 - \$100,000	\$100,001 & OVER	NO ENTRY	IN-COMplete	TOTAL	WITH PRICE
Detached:												
\$ 0-4,000	65	36	12	6	2	3			25	27	176	
\$ 4,001-10,000	31	16	8	2	5	5			9	10	86	
\$10,001 & Over	15	11	7	4	2	2			8	12	61	
No Value		1	1								2	
TOTAL:	111	64	28	12	9	10			42	49	325	234
Row &												
\$ 0-4,000	109	46	16	9	3	5			44	54	286	
\$ 4,001-10,000	38	40	19	10	8	4			12	22	153	
\$10,001 & Over	28	7	8	4	1	5		2	11	21	87	
No Value										1	2	
TOTAL:	175	93	43	24	12	14		2	67	98	528	362
Total House												
\$ 0-4,000	174	82	28	15	5	8			69	81	462	
\$ 4,001-10,000	69	56	27	12	13	9			21	32	239	
\$10,001 & Over	43	18	15	8	3	7		2	19	33	148	
No Value		1	1	1						1	4	
TOTAL:	286	157	71	36	21	24		2	109	147	853	597
Duplex												
\$ 0-4,000										1	2	
\$ 4,001-10,000									1	1	2	
\$10,001 & Over	1										1	
No Value										1	1	
TOTAL:	1								1	3	6	1
Apt.												
\$ 0-4,000		2			1	1		1	4	5	14	
\$ 4,001-10,000		1	1							1	3	
\$10,001 & Over	2					1		1	2	2	8	
No Value												
TOTAL:	2	3	1		1	2		2	6	8	25	11

TABLE 4: continued

STRUCTURAL TYPE	PERMIT VALUE	\$ 0 - \$10,000	\$10,001 - \$20,000	\$20,001 - \$30,000	\$30,001 - \$40,000	\$40,001 - \$50,000	\$50,001 - \$100,000	\$100,001 & OVER	NO ENTRY	IN-COMplete	TOTAL	TOTAL WITH PRICE
Mix.	\$ 0- 4,000	15	6	1	1		2	1	12	15	53	
	\$ 4,001-10,000	10	3	2	1				6	16	38	
	\$10,001 & Over	5	2	3		1	2		10	8	31	
	No Value			1						1	2	
	TOTAL:	30	11	7	2	1	4	1	28	40	124	56
Boarding:	\$ 0- 4,000	7	3		1							
	\$ 4,001-10,000	5	1	1		1			6	10	27	
	\$10,001 & Over	5	3	3		2	1	1	2	4	15	
	No Value					1			3	5	23	
	TOTAL:	17	7	4	2	4	1	1	11	19	66	
		336	178	83	41	27	31	6	155	217	1074	702

*

The buildings identified in this table have a property sale before and after the building permit. This sequence indicates renovation for profit. The total price change is then divided by the number of years between sales to establish an annual increase figure.

Source:

City of Toronto Building Department, Building Permit Records, and T.E.E.L.A. Property Sales Data. Special tabulations prepared by Ministry of Housing and W.G. Anderson, Planning and Research.

TABLE 5: Residential Building Permits 1976-1979, With Resales 1975-1979
Total Increases in Prices of Renovated Residential Buildings *

STRUCTURAL TYPE	PERMIT VALUE	\$ 0 - \$10,000	\$10,001 - \$20,000	\$20,001 - \$30,000	\$30,001 - \$40,000	\$40,001 - \$50,000	\$50,001 - \$100,000	\$100,001 & OVER	NO ENTRY	IN-COMplete	TOTAL WITH PRICE
Detached:	\$ 0- 4,000	30	22	25	16	18	9	4	25	27	176
	\$ 4,001-10,000	11	11	9	12	12	8	4	9	10	86
	\$10,001 & Over	5	5	4	8	4	13	2	8	12	61
	No Value			1			1				2
	TOTAL:	46	38	39	36	34	31	10	42	49	325
Row &	\$ 0- 4,000	64	34	33	28	11	16	2	44	54	286
	\$ 4,001-10,000	23	9	24	30	13	16	4	12	22	153
Semi	\$10,001 & Over	14	9	5	7	3	14	3	11	21	87
	No Value						1			1	2
	TOTAL:	101	52	62	65	27	47	9	67	98	528
Total House	\$ 0- 4,000	94	56	58	44	29	25	6	69	84	462
	\$ 4,001-10,000	34	20	33	42	25	24	8	21	32	239
	\$10,001 & Over	19	15	9	15	7	27	5	19	33	149
	No Value						2				4
	TOTAL:	147	90	101	101	61	78	19	109	147	853
Duplex	\$ 0- 4,000						1			1	2
	\$ 4,001-10,000								1	1	2
	\$10,001 & Over	1									1
	No Value									1	1
	TOTAL:	1					1		1	3	6
Apt.	\$ 0- 4,000					2	2	1	4	5	14
	\$ 4,001-10,000					2				1	3
	\$10,001 & Over	1	1				1	1	2	2	8
	No Value										
	TOTAL:	1	1			4	3	2	6	8	25
	TOTAL:	1	1			4	3	2	6	8	25

TABLE 5: continued

STRUCTURAL TYPE	PERMIT VALUE	\$ 0 - \$10,000	\$10,001 - \$20,000	\$20,001 - \$30,000	\$30,001 - \$40,000	\$40,001 - \$50,000	\$50,001 - \$100,000	\$100,001 & OVER	NO ENTRY	IN-COMplete	TOTAL WITH PRICE
Mix.	\$ 0- 4,000	5	8	4		2	5	2	12	15	53
	\$ 4,001-10,000	6	5		2	1	2		6	16	38
	\$10,001 & Over	3	2	2			3	3	10	8	31
	No Value						1			1	2
	TOTAL:	14	15	6	2	3	11	5	28	40	124
Boarding:	\$ 0- 4,000	4	3		1		3		6	10	27
	\$ 4,001-10,000	3	1	1	1		3		2	4	15
	\$10,001 & Over	4		2	1		4	4	3	5	23
	No Value							1			1
	TOTAL:	11	4	3	3	7	10	5	11	19	66
	TOTAL:	174	110	110	106	68	103	31	155	217	1074

* The buildings identified in this table have a property sale before and after the building permit. This sequence indicates renovation for profit. The price change indicated is total price added between sales.

Source: City of Toronto Building Department, Building Permit Records, and T.E.E.L.A. Property Sales Data. Special tabulations prepared by Ministry of Housing and W.G. Anderson, Planning and Research

TABLE 6

TORONTO REAL ESTATE BOARD MARKET AREA

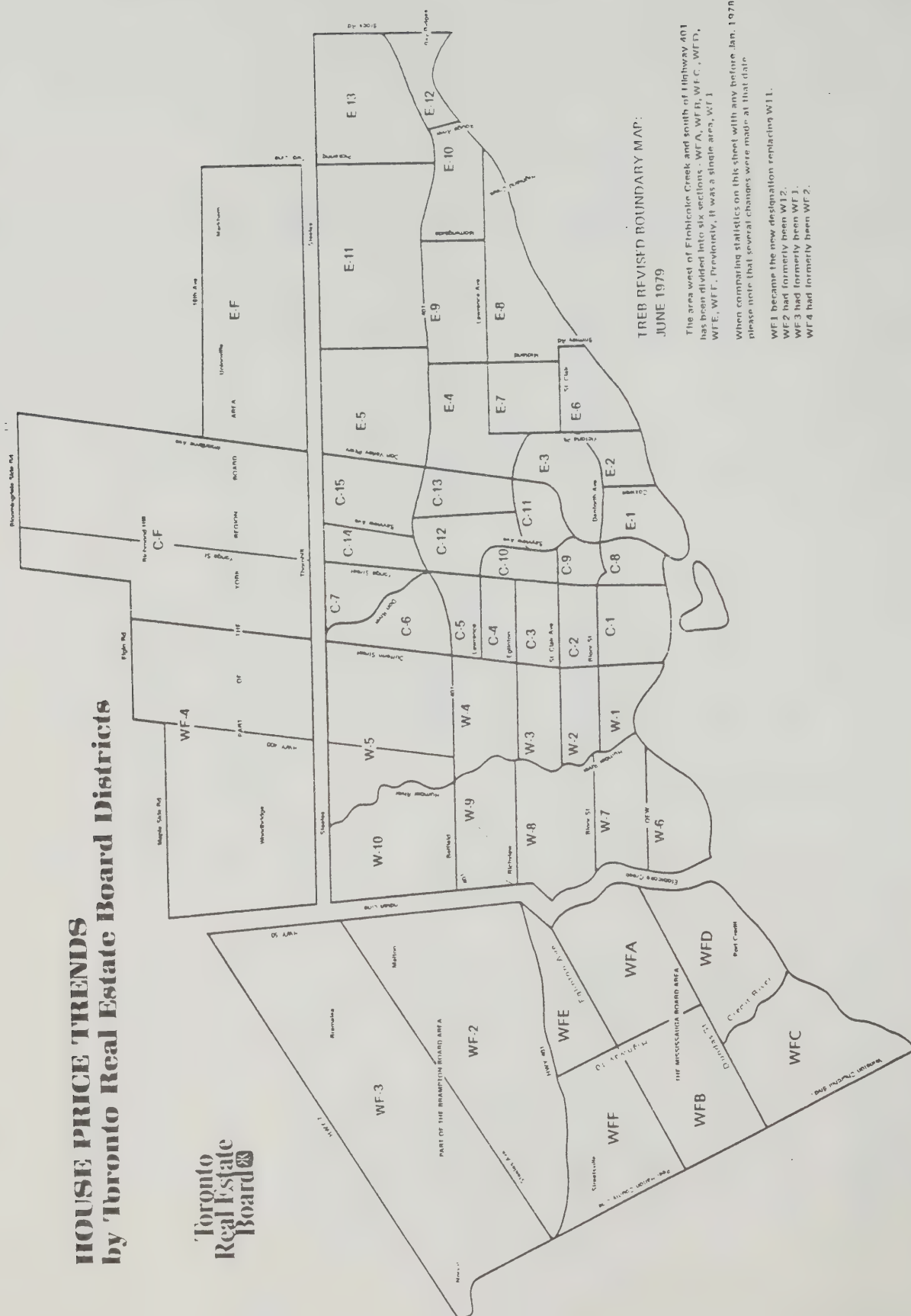
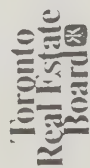
NUMBER AND AVERAGE PRICE OF MLS SALES BY DISTRICTS
TWELVE MONTHS - JANUARY 1 - DECEMBER 31, 1979
(Houses Only)

- and -

PERCENTAGE INCREASE IN AVERAGE PRICE
1974 to 1979 - and - 1978 to December 31, 1979

DISTRICT	1974 (12 Months)		1975 (12 Months)		1976 (12 Months)		1977 (12 Months)		1978 (12 Months)		1979 (12 Months)		% Increase	
	No.	Average	No.	Average	No.	Average	No.	Average	No.	Average	No.	Average	1974-79	1978-79
EAST														
E-1	1,079	\$37,753	937	\$40,279	763	\$41,600	710	\$42,117	763	\$44,467	1,003	\$ 48,706	29%	10%
E-2	564	\$42,444	608	\$46,254	497	\$47,378	514	\$50,668	520	\$48,912	579	\$ 53,636	26%	10%
E-3	1,225	\$42,775	1,531	\$44,461	1,073	\$46,436	1,162	\$47,783	1,214	\$49,606	1,468	\$ 52,552	23%	6%
E-4	298	\$56,902	403	\$60,863	382	\$61,349	441	\$64,936	461	\$67,420	495	\$ 69,892	23%	4%
E-5	659	\$63,681	1,097	\$65,147	960	\$66,799	1,062	\$69,697	1,062	\$69,574	1,322	\$ 72,947	15%	5%
E-6	463	\$49,080	531	\$50,718	477	\$52,399	492	\$54,708	515	\$56,266	544	\$ 58,037	18%	3%
E-7	241	\$54,379	317	\$57,030	295	\$58,742	313	\$60,398	331	\$61,816	352	\$ 63,481	17%	3%
E-8	523	\$58,658	644	\$62,324	617	\$64,106	681	\$68,108	683	\$69,668	651	\$ 72,284	23%	4%
E-9	355	\$60,488	492	\$63,433	448	\$65,329	483	\$66,894	490	\$68,101	526	\$ 72,466	20%	6%
E-10	206	\$61,943	328	\$67,005	248	\$71,205	249	\$74,441	234	\$77,069	272	\$ 80,045	29%	4%
E-11	68	\$72,102	143	\$67,748	183	\$67,496	284	\$71,173	378	\$68,503	496	\$ 69,771	-3%	2%
E-12	168	\$52,909	269	\$54,177	240	\$52,796	295	\$57,083	254	\$59,198	289	\$ 61,720	17%	4%
E-13	37	\$56,189	49	\$63,688	59	\$64,958	107	\$64,591	164	\$67,293	240	\$ 68,114	21%	1%
E-F	91	\$74,978	257	\$76,998	219	\$80,500	278	\$82,268	248	\$85,044	369	\$ 88,296	18%	4%
	5,977	\$50,097	7,606	\$54,597	6,461	\$56,990	7,071	\$59,964	7,317	\$60,959	8,606	\$ 63,946	28%	5%
WEST														
W-1	440	\$48,140	466	\$51,373	369	\$53,017	351	\$54,883	366	\$56,176	394	\$ 56,781	18%	1%
W-2	725	\$45,438	718	\$50,069	530	\$54,156	526	\$52,649	534	\$53,591	581	\$ 56,733	25%	6%
W-3	765	\$43,530	700	\$46,831	563	\$47,822	605	\$46,863	645	\$47,463	637	\$ 48,727	12%	3%
W-4	524	\$45,875	575	\$50,927	425	\$51,225	408	\$57,643	365	\$60,095	370	\$ 64,543	41%	7%
W-5	858	\$52,434	992	\$54,201	789	\$60,284	777	\$61,703	740	\$64,720	778	\$ 68,785	31%	6%
W-6	503	\$46,606	512	\$51,003	472	\$53,097	525	\$53,764	512	\$55,772	485	\$ 59,365	27%	6%
W-7	183	\$61,019	213	\$67,273	183	\$69,417	229	\$70,451	255	\$75,069	209	\$ 77,086	26%	3%
W-8	496	\$66,965	760	\$71,127	703	\$78,035	771	\$78,132	773	\$84,651	766	\$ 93,559	40%	11%
W-9	400	\$48,708	604	\$51,319	395	\$60,603	399	\$64,222	425	\$65,645	449	\$ 69,478	43%	6%
W-10	437	\$54,787	533	\$58,283	452	\$62,184	483	\$63,507	476	\$66,932	498	\$ 68,765	26%	3%
WF-1	1,284	\$57,240	2,063	\$62,022	2,000	\$66,314	2,358	\$69,579	2,420	\$72,044	1,124	\$ 75,765	32%	5%
WF-A											305	\$ 73,956	-	-
WF-B											285	\$ 71,730	-	-
WF-C											358	\$ 91,743	-	-
WF-D											363	\$ 81,365	-	-
WF-E											8	\$ 68,875	-	-
WF-F											243	\$ 67,465	-	-
WF-2	465	\$54,137	714	\$55,406	539	\$57,588	487	\$59,458	414	\$59,911	487	\$ 61,424	13%	3%
WF-3	241	\$51,565	413	\$52,239	596	\$50,350	644	\$54,254	755	\$56,976	826	\$ 60,437	17%	6%
WF-4	45	\$68,533	43	\$74,373	55	\$75,930	77	\$79,549	63	\$87,010	63	\$ 99,384	45%	14%
	7,366	\$51,844	9,306	\$56,369	8,071	\$60,382	8,640	\$62,704	8,743	\$65,213	9,229	\$ 69,277	34%	6%
CENTRAL														
C-1	475	\$46,153	450	\$50,788	347	\$50,872	350	\$50,202	351	\$50,819	401	\$ 58,523	27%	15%
C-2	576	\$48,240	555	\$53,576	401	\$58,869	411	\$56,617	377	\$63,911	488	\$ 66,660	38%	4%
C-3	477	\$54,057	421	\$59,517	366	\$66,335	374	\$72,185	420	\$83,732	413	\$ 80,720	49%	-4%
C-4	236	\$64,658	253	\$71,447	256	\$75,075	269	\$77,113	327	\$84,546	292	\$ 91,089	41%	8%
C-5	182	\$59,124	243	\$62,535	210	\$66,607	247	\$67,857	232	\$74,274	239	\$ 80,318	36%	8%
C-6	77	\$64,365	122	\$74,067	91	\$77,632	141	\$83,678	155	\$86,829	195	\$ 88,529	38%	2%
C-7	169	\$60,617	306	\$63,473	301	\$68,056	307	\$69,764	333	\$71,891	429	\$ 77,471	28%	3%
C-8	154	\$43,916	189	\$67,402	143	\$55,912	158	\$60,645	151	\$66,427	172	\$ 79,221	80%	19%
C-9	34	\$99,786	54	\$113,332	55	\$117,215	47	\$128,644	66	\$141,300	54	\$ 129,685	30%	-8%
C-10	163	\$63,906	248	\$68,949	196	\$71,975	206	\$75,697	257	\$83,132	219	\$ 91,988	44%	11%
C-11	189	\$41,297	267	\$39,658	164	\$47,099	130	\$46,799	120	\$55,617	123	\$ 60,941	48%	10%
C-12	112	\$98,183	180	\$100,910	184	\$105,286	208	\$124,404	237	\$135,795	194	\$ 150,938	54%	11%
C-13	86	\$82,537	148	\$86,254	148	\$92,911	184	\$97,052	178	\$100,500	198	\$ 110,214	34%	10%
C-14	137	\$65,144	213	\$68,130	213	\$74,396	261	\$82,507	254	\$80,669	279	\$ 86,228	32%	7%
C-15	540	\$65,573	816	\$66,899	806	\$67,206	833	\$73,050	862	\$74,264	959	\$ 79,615	21%	7%
C-F	368	\$69,744	643	\$71,445	512	\$76,242	675	\$83,670	804	\$85,618	976	\$ 89,155	28%	4%
	3,375	\$58,563	5,108	\$64,235	4,493	\$69,523	4,301	\$74,663	5,124	\$80,052	5,631	\$ 83,397	43%	5%

HOUSE PRICE TRENDS



Conclusions:

The following comments summarize conclusions that can be drawn from the tables.

(1) The City of Toronto adds approximately 150 dwelling units per year through conversion of house type buildings. However, renovation of these same types of buildings to single family use also results in an annual loss of 40 - 60 dwelling units from house type buildings that previously contained several units.

(2) New dwelling units resulting from renovation of apartments and mixed use buildings are considerably less, being less than 60 and 30 respectively. Duplex renovation for extra units is negligible. Boarding house renovation is the only group similar to housing, adding over 100 new units in some years. However, units in boarding houses may not all be separate units. Many may be flats with shared kitchens or bathrooms. In total these units added through renovation are not a major factor in the market compared with the approximately 2000 rental and condominium apartment units normally added to the City's housing stock by new construction in most years.

(3) To isolate renovation activity undertaken for profit from sales, residential properties were tabulated that had both building permits in any year 1976 to 1979 and property sales 1975 to 1979. There were over 7000 properties that had permits and sales, of which the majority are house type structures. Of these, approximately 1000 properties were bought, issued a permit, and resold during the period. This sequence indicates the scope of activity of profit oriented renovators as distinct from owner occupant renovators. Examination of sale dates indicates in any one year, 300 - 500 buildings may be bought, renovated and sold, by these companies in the rehabilitation business.

(4) In the properties that were renovated and resold the majority in all structure types added over \$10,000 in price on an annual basis between

the sale before and the sale after the building permit. Since the numbers of buildings in the \$0 - 10,000 range are approximately one half the total number of buildings with price information, a \$10,000 figure could be considered a median annual price added by all renovation for resale.

(5) For house type structures a comparison can be made to Toronto Real Estate Board figures for housing resales. A review of these figures shows average increases in resale prices between years generally less than \$5,000 over the same period. Comparison of the data is not totally consistent; (a median value will tend to be lower than an average using the same statistics) however, it is clear that renovation adds price increases to housing that are greater than those which would occur if the house were not renovated.

(6) This report concentrates on the full time renovation business. This type of business will usually at least add \$20,000 in construction costs to a building. Housing resales which reflect this total level of price increase over the period 1975 - 1979, (Table 5) total 360 out of a total 597 housing resales that have price data. The companies that deal in **full time** renovation appear to have a majority of the renovation market activity.

Section 5: Types of Renovation Companies:
Renovation in a Real Estate Context

Renovation is a special type of business because it deals with the unique problems of construction involving the continued use of elements of existing older housing. In this sense, some of the operating procedures are different from those of real estate companies specializing in new construction in suburban areas. However, apart from operating procedures, the motivation and general types of renovation activity are similar to the general patterns found in all real estate development.

Real estate development involves three essential stages:

- (a) acquisition of the basic serviced land package
- (b) construction of the real estate product
- (c) sale or rental of the final real estate product

Each stage can generate a profit for a company and real estate companies can be classified into types depending on which aspect of real estate development they choose to emphasize for generating profit. These types can be described as follows:

(a) The land development company

This type of company specializes in the acquisition of raw land for development, planning and installing services and the sale of serviced lots to builders. No building construction is undertaken. Access to financial backing of sufficient size to sustain the company over a long development period is its most essential operating feature.

(b) The builder developer

This company has a well organized construction operation as part of its business. It may operate also as a land development company to create its own lots, or it may buy from others. The product emphasis is on real estate for sale and profits depend on continued sales volume. The builder developer's profit is made between the cost of serviced land, (or the unrenovated house for the renovator) and the sale price which is more or less established by the prevalent market for his product. Thus, an efficient construction operation high sales volume and access to a good supply of reasonably priced lots (or unrenovated houses) are the essential operating features of this type of business.

(c) The income producing real estate company

The product emphasis of this company is development of property for long term ownership and rental. On staff construction capability is not an element of this type of company. Profits depend on the income stream generated, capital appreciation of the asset and tax shelter provided by depreciation of the building. An income producing real estate company increases its profitability by re-financing or selling its existing projects, and using the equity built up in the older buildings to purchase new investments. The ability to refinance is dependent on the quality of the income stream and access to financial capital at reasonable cost. Thus, access to financial capital and ability to control rents are essential to the operation of these companies. They are particularly vulnerable to high interest rates and rent control.

(d) The fully integrated real estate company

This type of company combines all of the real estate operations of land development, building for sale and income property development. As Canadian real estate companies have grown since 1946, many have changed from small companies similar to the types noted above, to very large integrated companies. As a real estate company increases in size it gains the access to capital it needs for expansion. It benefits from economies of scale and by combining income and sale types of revenue it often pays lower taxes than either of the two types of income would attract in separate companies.

Based on the interviews with renovators it is possible to compare their operations with those generally found in real estate as outlined above. The conclusions are as follows:

(1) The majority of renovation companies are small builder developer type operations.

. There is clearly a group of individuals and companies that specialize in housing for sale created by renovation of older housing in the City of Toronto and by the construction of small "infill" projects of 1-20 new units in established neighbourhoods. All of these companies control their construction in house, as do builder developers in new construction.

. The predominate renovation activity is single family housing for sale, in the \$100,000 and up price range.

. These companies are distinct from the suburban developers, downtown high rise developers and large commercial developers.

. The companies typically operate in one or two neighbourhoods they know and concentrate on a product type that is familiar to them and accepted in their area. As a result, there is often considerable knowledge of and competition with other renovators in their area, but little knowledge of activity elsewhere in the City.

. Company size varies from an individual who may do 1-2 houses a year to larger concerns combining 10 - 20 renovations with an equal amount of new construction. The maximum annual property under development of any company in the business would appear to be about \$10 - \$15 million. With the more usual size being \$1 - \$2 million. These are small companies compared with Canada's many very large real estate companies in new construction.

. Typically a company will have begun operations with an individual either renovating the house he lives in, refinancing and buying another, or by the principles having a special skill, such as architecture, contracting knowledge or a real estate brokerage background, that gives them experience in the business that they can use to establish their credibility and secure financing for property purchase and development.

. There is a small group of established companies that have been in business 10 - 20 years. They tend to specialize in luxury accomodation only, primarily because the same effort is involved for a \$500,000 renovation as in a \$100,000 property.

. The majority of companies have only been in business two to five years and there is a high turnover. Most have a minimal staff and rely on the management resources of the principals for investment decisions. Specialist consultants are rarely used. The successful smaller companies, as they mature, emulate the existing older companies by increasing the value of houses they are working on as their resources permit.

(2) There are really two types of builder developer companies involved in renovation: the total rebuilder and the partial renovator. The nature of the business of these two operations differs considerably. There is no parallel for the partial renovation type business to be found in new construction real estate development.

. The rebuild renovator is usually in the business full time. He has permanent staff undertaking construction and the owner is intimately involved in the day to day construction activity. A typical company will strive to maintain a construction volume of at least ten to twenty houses a year to keep reliable staff employed and control the quality of the final product. The rebuild renovator wants to be recognized by the public as a reputable builder development company and usually has no other source of income. In these respects he is very similar to the builder developer in new construction.

. The partial renovator is similar to a builder developer company in new construction because the company controls construction on a house and gains income from sales. However, there are a number of differences. The potential renovator can choose the amount of work to be done, over a very broad range because the unrenovated house is usually habitable. This option is not available in new construction. This ability to selectively repair creates a more unclear relation between sale price and development costs than new construction or rebuilding type renovation (See Section 3 for price examples).

. Also because the amounts of capital required for partial renovation are lower than rebuilding a house, or new construction, the partial renovator often approaches renovation as a sideline. He may be a real estate broker, mortgage broker, or lawyer with funds at his disposal from clients or other business interests. This less than full time commitment means the partial renovation

company is more likely to be short lived than either the re-build renovator or the new construction type builder developer. The company owners with capital may just switch their investment priorities out of renovation leaving the house purchaser with no available recourse for unsatisfactory work.

(3) There are very few income producing real estate companies in the renovation business.

. There may be many older rental housing buildings held by individuals or small companies, however there appears to be very few companies who are making a business out of acquiring housing, renovating and holding for rental income.

. Among those interviewed in the renovation for sale business, virtually all expressed no interest in holding properties for rental. They cited reasons such as; Rent Control Legislation, the Landlord and Tenant Act, low returns and the management required. Generally it was viewed as a different type of business.

. From the limited numbers of companies in the rental business one predominate opinion was expressed about why rental was not as popular. It is simply harder at the municipal level to get a small multiple unit building created through a house renovation, than it is to get a single family house renovated for resale. As long as there is profit in renovation for resale, most in the business would rather avoid the extra problems of rental. The specifics of these differences are detailed in later sections of the report.

. Financing is a significant difference between renovation resale and the rental business. For resale, no permanent financing is needed. When the building is sold the purchaser arranges his own mortgage. For rental, long term mortgages must be arranged. This requires that the owner renovator keep complete records of his construction procedures and also be able to accurately project

rental revenue against operating costs. All of this work may be done by the principal owner in a small rental operation, but it is a level of financial control not usually found in renovation for resale companies. It is however typical of income producing real estate companies in general.

. The income producing renovation companies are similar to the smaller renovation for resale companies in one respect in that they are generally relatively young companies, in business two to five years. Staff is minimal with most decisions being made by the principals. No rental companies were found that were as established as the ten to fifteen year old renovation for resale operations.

. Generally the income producing renovation companies have no persons directly involved in construction employed on a full time basis. All work is done by independent trades. The contracting of the trades is usually done by the owner.

(4) Acquisition and control of the basic serviced building lot is a specialized profit centre for land development companies in new housing development. Control of unrenovated houses has not as yet become a separate business. However, individual speculators and real estate brokers who have first access to properties often buy suitable houses thus creating a third party between the renovator and the original family type house owner. As with new construction third party speculative activity affects the distribution of profit available and the viability of differing types of renovation activity.

. Many real estate brokers provide an essential service to renovators. They find suitable properties for renovation and they often also find buyers for the final renovated house. On the initial sale they require a 6% commission.* If they then also list and sell the renovated property they may make 6% on this sale value

* real estate commissions may be as low as 4%

as well. Often brokers work hand in hand with the renovators and make a sizeable income in commissions.

. Real estate brokers, however, are often also directly in the business in other roles. They can be principal owners in renovation companies. Choice properties can be purchased by a broker for his own use rather than offered to other renovators. Or, the property can be simply bought and held by the broker, forcing the renovator to offer a price to the broker rather than the original owner. The broker can in fact be "wearing three hats". He can be an 1) agent, 2) builder developer renovator or, 3) property holder speculator. Since the broker has access to properties first, the full time renovator is at a disadvantage. If the broker chooses to hold properties for speculation and is successful in waiting for a price increase, the broker gets profit that may have gone to the full time renovator, making the renovators business less viable.

. There are many brokers in the business. Those that buy for their own account often get cut off from future listings of the more lucrative renovated properties forcing the broker to adopt one role rather than several. However, the opportunity does exist for a well financed concern to make a full time business out of buying, holding and reselling properties suitable for renovation. This type of operation would be similar to the specialist land development company in new construction in the sense that they would control the raw product required by the builders. However, unlike land developers they are not servicing the property. They could be merely holding the property, speculating on its future value.

. There is some evidence to suggest that brokers in the past have paid premiums to agents from other companies to ensure properties were offered to their company for purchase. Properties were then held or minimally renovated and resold at considerably

increased prices. This was possible in a market with high demands as in 1971 to 1974. If high levels of demand return this may again be a prevalent situation.

. A key factor in the demand for unrenovated properties is the Ontario Government, Land Speculation Tax. With the land speculation tax in place, the market has been healthy for renovation companies wishing to buy and add over 20% of the purchase price in improvements thus avoiding the tax. This tends to favour renovation that is a substantial improvement of the property. Currently with the tax removed, the market is again being inundated with persons bidding up prices, just to secure and hold property, for speculation on future capital gains with little or no improvement. The land speculation tax undoubtedly affects the distribution of profit in the renovation business and the type of activity undertaken. With the tax in place, builder developer type companies and income producing companies can secure the lowest possible unrenovated house cost by dealing in most cases, directly with the original home owner. With competition at high levels as it is currently, this low cost has the potential of being passed along to the consumer in a lower priced final product. The lower cost also gives the rebuild type renovator some pricing flexibility. He is at the top of his market as was pointed out in Section 3 and has a smaller range of sale prices available to him, than does the partial renovator before he begins pricing at his actual hard costs, and losing money. Thus, policies like the Land Speculation Tax may be sensible if substantial renovation is to be encouraged rather than partial renovation or holding for speculation only.

(5) There are no fully integrated renovation companies. .

. The benefits of a combined property for sale and income generating real estate company have yet to be utilized by the re-

novation business. This may only be a factor of scale of operations. A small company may find it easier to concentrate on one type of operation or the other. However, it may also be indicative of an outstanding difference in the profitability of the two types of businesses and in the differing amounts of administrative time that must be invested in each to generate profits.

Section 6: The Renovation Business, Property Development Process

This section of the report details how renovation companies operate, from the selection of suitable properties to the sale or rental of the final renovated building. The report is based on interviews with renovators (see Appendix). Most of the comments are relevant to renovators who build for resale since these were the majority found to be in the business. Specific comments are made as needed to indicate differences between operations for resale and for rental. Differences are noted where applicable, also between larger and smaller firms.

Each section of the property development process is discussed as to practices used and issues raised. Renovation for resale or rental for a total rebuild type renovation involves a time period from property selection to final sale or rental of no more than six months. This is a desirable working maximum within which construction can be accomplished and work financed without causing cash flow problems. Shorter periods are possible, of course, if less renovation is done. This time period can be broken down into seven typical phases, described below in Sections 6.1 - 6.7. General comments are then presented on Construction Costs and Quality of Services.

Section 6.1: Building Selection

Current Practices

. Buildings are chosen for renovation by the neighbourhood characteristics and the expected type of purchaser or rentor.

The general criteria for the neighbourhood are: walking distance to good transit (usually the subway), presence of parks and trees, a large stock of renovatable homes, i.e. solid brick, detached, semi-detached or row. The potential market is felt to be the two income professional occupation household with no children.

. The renovation market varies between areas.

Currently the "Cabbagetown" area east of Parliament Street and the "Riverdale" area east of Broadview Avenue are considered one market. One group of renovating companies operates in these areas with a final product generally for sale up to \$150,000 and maximum rents of \$800.00 a month. For these final prices and rents, the original unrenovated house must be generally no more than \$60,000. These price limits are going up over time. The typical purchasers or rentors in this area are in their mid-thirties with no children. They work in the core of the City and in some cases do not have cars.

A separate market exists in the Rosedale, Forest Hill areas of Toronto, east and west of Yonge Street, north of Bloor Street. Established renovating companies have been operating in these areas for 10-15 years. Final sale prices are \$250,000 and up, with unrenovated properties being purchased at \$120,000 and up. Rental activity is minor but units can easily rent for \$750 - \$1,000 a month up to \$2,000 a month. The typical purchasers or rentors of this type of accommodation are older couples with no children at home. They usually have cars. Renovators in this luxury market do not usually do less expensive projects. The time involved is the same for a large value project or small, thus the two groups of renovators often do not know one another. They serve different markets although there is some overlap at the high price end of the "Cabbagetown" renovation market. There are other markets in the City of Toronto but they have less activity by renovation companies than these two primary markets.

. The renovator succeeds by knowing his area.

Day to day work in the area gives the renovator knowledge of available properties and a feel for what is selling and to whom. This is essential to his business as no formal market studies are done.

. In terms of structure, three floors of useable space is best.

Most renovators look for an existing three storey house, or a house

where useable space can be made by additions to the attic or in the basement.

Issues:

.Renovation raises the general real estate price level of an area.

Renovators after several years in one area find it increasingly difficult to get inexpensive housing in an area, or to increase their sale prices. They must then find other areas of the City in which to renovate in their price range, or they must move into luxury housing in the Rosedale, Forest Hill markets. To date, both trends are occurring. Renovators feel access to reasonably priced housing is an issue for their future growth.

.Renovation changes the income and social characteristics for an area often dramatically from lower income to upper income.

This is a crucial municipal issue, in terms of whose interests the neighbourhood should serve.

Section 6.2: Purchase of the Property

Current Practices

.Real estate agents play a key role.

The renovator will look for properties himself, but most often he depends on brokers to be aware of his needs and to call him with suitable properties. Since the renovator does not generally carry un-renovated properties, he depends on brokers for his raw product supply. The broker's role can be problematic as indicated in Section 5.

.All investment decisions are usually made by the principal owners.

The owner will be offered a property and make a decision to purchase based on the difference between his anticipated market price and the asking price. For property for resale, no formal studies are done by architects, appraisers or quantity surveyors of specific cost of construction details before or after purchase. Property for rental requires some reasonable cash flow projections against costs in order to secure interim financing. This is usually done by the owner.

.The municipal zoning and policy context is crucial to the purchase of a property

If the property has unusual problems that may require a major zoning amendment, it will be avoided. However, increasingly all renovation requires some minor zoning change that necessitates a hearing at City, Committee of Adjustment. This type of delay is an unknown factor. The owner will make a judgement about what will be decided and how long it will take. This will be based on his past experience. Any unforeseen change in policy may cause a longer delay and cause financial problems. (more specific details are presented later).

.Properties are usually purchased without conditions or options, with cash to an existing mortgage.

There is considerable competition for suitable unrenovated properties. The renovator often must make a quick market, renovation cost and profit analysis, and make an offer on the property immediately. These offers must be without conditions or he may not get the sale. To make correct judgements for the offer is part of the owners skill in the business.

Issues:

.There is considerable risk involved in the renovation business
The renovator commits his capital quickly, with little indepth analysis. This capital is then tied up in a renovation process that has no clear rules as far as municipal control is concerned. High risk means a high rate of business failure, creating a poor reputation for renovators in the business, and often dissatisfied consumers of renovated housing. Reduction of risk can come from a better analysis by the renovator. Techniques could be developed instead of the use of "gut feel". Reduction of risk can also come from clarity in the municipal regulation process. If governmental intervention is used to reduce risk there should be clear objectives for the expected result in renovation activity.

Section 6.3: Construction Design and Permit Approvals Current Practices

.There is no standard of quality for design or required level of drawing submissions to secure a building permit

The smaller renovation companies in resale usually do their own design work and building permit negotiation. Design drawings are needed to direct trades and to secure building permits. There is little uniformity as to what an adequate set of drawings is. In some cases the renovation company will have architects as principal owners. In this case, there is a good knowledge of structure and presentation of specifications. In other cases, the drawings are only basic floor plans, with poor details. Work may also not be actually done as shown.

The more established renovation companies doing luxury work, usually use architects to prepare drawings and secure permits, or they use design firms. The design firm is less expensive than an architect and is specialized in the particular drawing requirements of the municipal building inspection department. Rental projects usually have either a design firm or architect involved because rental is usually a multiple unit building with higher building standards than single family for owner occupant use. More knowledge of the Building Code is required for multiple dwelling buildings.

Issues:

.The lack of standards for drawings and specifications means renovation has no clear process for achieving a specified quality of finished product for the consumer.

In some cases, the haphazard nature of the process will produce an acceptable product. The renovator may know his house well, submit minimal plans and have them approved quickly on the basis that he is known in the business. He may then be on the site and control his trades well, producing a quality house. On the other hand, the exact opposite may be possible. Clearer standards for drawing submission, conditions for approvals and performance of work are needed.

Section 6.4: Construction Organization

Current Practices

.Close control of the renovation work is a key element for the success of a renovation company.

In most renovation companies, the owner is on the site daily supervising the work. In some companies, the owner actually does part of the day to day construction. Most companies attempt to assemble a full time renovation work force. Carpentry is considered the most essential skill. In smaller companies they will have one or several carpenters on staff, with full time labourer helpers for demolition and cleanups.

Larger companies will have more full time people in proportion to their work. Specific sub-trades however, such as plumbing, heating and electrical will be contracted with independent companies in all cases. Most work is non-union.

The owner in virtually all types of companies performs the role of the general contractor. The owner organizes and schedules the work and contracts with sub-trades.

Issues:

.Quality of construction work is a potential problem area for renovators.

The successful renovation company will have on staff carpenters they trust and will continually work with the same trade companies. These employees and trades are hard to find, and are highly valued by the renovators. Once working relationships are established, quality can be assured. However, keeping enough work to keep people employed is a constant concern of the renovator. Once the tradesman stops working regularly, he may not come back. This problem directly relates to unforeseen delays caused by the municipal approval process.

A new company, however, will have considerable difficulty with trades. Many trades are inexperienced in renovations and will not live up to schedules or price estimates. These problems combined with delays

in construction caused by building permit negotiations, can easily push a renovator out of business. This contributes to a poor reputation for the business as a whole and is a concern of the established companies who want consumer confidence.

Section 6.5: Financing Construction

Current Practices

.A business line of credit arranged at a chartered bank is the most common method of interim construction financing for resale type renovators.

The renovation for resale business would have less risk for the owners and new companies would be easier to establish if it were possible to mortgage a renovated property on the basis of its expected final sale price and use the money to finance construction. This is possible in new suburban construction, but no techniques exist for this type of arrangement in renovation. There are good reasons for this from the point of view of the mortgage lender.

The basic unrenovated house is a known market commodity for mortgage lenders. There are many similar properties in the area with which to compare value. Renovation, however, takes the house, adds considerable construction costs and attempts to sell at prices well above the original property. The renovated house is often not comparable to anything in the area. Mortgage lenders under these circumstances will not advance money solely on the anticipated final cost and value of the renovated house. The mortgage lender will wait until the property is sold. This will establish a more firm value and only then will the property be mortgaged for amounts above the unrenovated cost.

Thus, construction financing is often secured on the basis of a personal guarantee by the principal owners. Failure of the business can result in personal bankruptcy. This is a significant risk for the renovator dealing in properties for sale. Banks, not trust companies, are the common source of this money and it is lent on a floating rate basis at several interest percentage points above the prime rate. The rate will depend on the credit worthiness of

the individuals. Thus new companies or persons with no large assets will pay higher rates. The loan is a demand loan and can be called for payment at the discretion of the bank.

.Renovation for rental has interim financing advantages compared with renovation for resale.

The value of a rental project is based on its income stream. Thus the renovator for rental will usually project his rents and convince a long term financing institution (most often a trust company) to tentatively commit a mortgage to the property if it is built within costs that allow rentals to give a reasonable return. This tentative commitment combined with cost estimates for construction, based on previous projects, will then be used at the bank to secure interim financing for construction at a very competitive rate. Also, if the renovator for rental has other properties, he can use the equity in these projects held by his company to secure the interim financing rather than credit secured by him personally. This is also a significant benefit in that a business failure will not result in personal bankruptcy.

Issues:

.The attitude of the source of interim financing (usually a bank) towards renovation can make or break a renovation business

Successful renovation companies have sympathetic bankers. This point again relates to possible and unforeseen delays. If a project takes twice as long as expected for some reason, the bank must choose whether or not to continue to advance cash or call the outstanding debt. A bank that doesn't understand renovation may fear the market is really not there for the property, or may set deadlines for repayment that cannot be met. The company may then be put out of business.

The situation could be improved with more hard information about the renovation business, such as the extent of the market and the nature of the approval process properties go through. With this data the bank could better assess a project objectively. This may

lend some further stability to the renovation businesses who are operating in a responsible manner. Conversely, the more informed banker would have better criteria to force out of business those companies that misjudge their market and the municipal approval process. As it stands now, access to the necessary flexible financing for new companies is more based on personal contacts than on objective criteria for a financially successful renovation business. Established companies in the business would probably meet any test for financial credibility. However, what the tests should be for a new company is unclear for the renovation business.

Section 6.6: Property Sale or Rental

Current Practices

.Most property sales are handled by real estate brokers. There is considerable friction between renovators and brokers.

There are several aspects to this friction as outlined in Section 5. Regarding the sales function, however, renovators often feel that agents do not know the area, or enough of the details of their house, to sell it effectively at a good price. Many renovators are introduced to purchasers by agents and then it is the renovator who does the actual selling. The renovator then feels the agent's commission of 6% is not earned. On the other hand, the renovators themselves do not want to sit in the house for open houses, or be constantly showing the property. There is thus a tradeoff and well-established renovators will have some real estate agents they prefer to show their homes and will give first choice at listing to these companies.

.There is often an opportunity for the purchaser to buy the renovated house for a fixed price and specified plan before it is built.

In areas where a renovator is well established, a potential purchaser may come directly to the renovator. This eliminates the brokerage fee. The buyer gets a fixed price and a set completion date. He

can also specify finishing details. The renovator gets a downpayment which he can use on the construction and a guaranteed sale and potential profit before building. This is a desirable situation for both parties.

.Property rentals are usually handled directly by the renovation company with income producing property.

.The rental function and property maintenance are considered part of the ongoing responsibilities of the rental property owner. Most rental renovators do not consider building rental or the quality of their tenants a problem. For the most part they rent to higher income tenants who have many housing options and do not need the protection of the Landlord and Tenant Act. Also, some renovators only feel rental is feasible if it is outside of rent control legislation. Thus, they keep rents above the limit for rent control of \$750.00 a month. Under these circumstances the only rental problem mentioned was removing existing low income tenants from a property purchased for renovation. A tenant can often stay in the building for up to six months if he uses the provisions of the Landlord and Tenant Act. This type of delay is costly.

Issues:

.Knowledge of the renovated house and the renovation business would help all parties in properties for sale make better transactions.

As it stands now, no one except the builder knows the elements of work he has done or its quality. A standard definition of work types and listing of work done in a renovated house is essential to the understanding of quality in a house by agents and purchasers. (There is currently discussion by renovators of forming an association of renovators to develop such a list and a warranty program). The other element in the making of informed judgements about renovation

is the quality of the firm doing the work. Renovators often have the public image of 'fly by night' operators. Here again standards are needed to define what is a reputable company in renovation. Such things as whether the company does partial renovations or total rebuilding, their past work, number of years in business and whether or not the owner is directly involved in supervision of construction, are key considerations.

.The Landlord and Tenant Act combined with Rent Control legislation may be encouraging renovators to concentrate in high income rentals only.

Both tenants and building owners have certain rights under these pieces of legislation. Changes to legislation may make it easier for property owners to operate in a rental business. It is not at all clear, however, if different types or rent levels of rental housing would be produced. There may be overriding economic considerations or administrative considerations such as municipal requirements such as expensive extra covered parking spaces, that necessitate luxury high income housing as the only viable alternative.

Section 6.7: Long Term Financing Current Practices

.Long term mortgages for a renovated property for sale are arranged by the purchaser.

In a typical sale situation the purchaser will make an offer to buy to the owner-renovator, conditional on mortgage financing. The purchaser will then approach a source of mortgage financing suggested by the renovator or the selling real estate broker. The sources of mortgages are usually trust companies. There are a few trust companies that specialize in renovated properties. Most banks are not interested in this type of property. With a knowledgeable trust company, the purchaser should be able to secure up to 75% of the sale price as a first mortgage. There is usually

an appraisal done of the property by a professional appraiser. This is arranged by the mortgage company but paid for by the purchaser. This arrangement is similar to purchasing any older property.

.Long term mortgages for a renovated property for rental are arranged by the owner.

Trust companies are again the major source of mortgages. The percentage of the project cost mortgaged will depend on the property's rental cash flow. With adequate cash flow, most rental properties can secure 75% of the total appraised building value as a first mortgage. Appraisals are done by the mortgage company and paid by the owner.

Issues:

.Knowledgeable sources of long term financing are essential to the renovation business.

The trust companies that deal in these types of properties will readily advance mortgages if the purchaser has sufficient income or rental cash flow is adequate. There are, however, many trust companies and banks who will appraise a project at considerably less than its sale price or construction cost. They will then only lend 75% of this lower value. Alternatively, they will only mortgage the amount of the initial renovated house. This can be very unsettling, particularly to a purchaser who is considering spending \$150,000 on a house, only to be told by the mortgage company that it is worth \$100,000. Again, some uniform approach to presenting the value and market acceptance of a renovated house may free up more diversified sources of long term financing.

Section 6.8: General Comments on Construction Costs

The total rebuilder renovator

The most common approach to renovation used by companies in the business full-time for both properties for sale and rental, is a total rebuilding of the house. The house is completely gutted except for the exterior walls, floors and roof structure. Structural framing is repaired where needed, a new floor plan designed, and all new services and finishes are then built in from the new roof down to the basement floor. Lumber such as wall studs is reused where possible, but it often must be discarded because it is not of a uniform width and will produce an uneven wall with drywall. The purchaser or owner-rentor then essentially has a new house that will give few complaints to the occupants. Construction can also be undertaken to the standards of the Ontario Building Code without difficulty.

Costs for this type of work range from (\$30-\$50 a square foot), \$322-\$540 a square metre, for construction, labour and materials. The \$322 a square metre (\$30 a square foot) figure is common for lower priced total renovations and \$430-\$540 a square metre (\$40-\$50 a square foot) for the more luxury finishes in very high priced renovations. New construction of a complete house would cost at least \$430 a square metre. The labour-material breakdown for a total rebuild is approximately 50%/50% respectively, in the total cost. This is similar to new construction.

The partial renovator

A considerable number of renovated properties are selectively repaired or redesigned and then resold. The type of work done varies from house to house, so there are no common rules of thumb. It would be possible if one knew the work done to a house to estimate the cost of the work by general standards. This can be done using the elemental cost estimating procedure adopted in Section 3 of the report and detailed for the case

studies in the Appendix.

In terms of labour-material breakdowns for construction, one would expect the partial renovator to be spending proportionately more of his renovation dollar on labour than on materials.

The restoration renovator

This type of renovator seeks to find unique, turn of the century 'Victorian' properties and return them to their original look and elegance. Careful attention is paid to preserving and repairing ceiling mouldings and original woodwork and trim. Fireplaces are rebuilt internally and the original mantels replaced. Wood interior and exterior doors are refinished, new hardware installed and the doors rehung. Windows are made and fitted to preserve mouldings on both exterior and interior of the building. All of this is extremely expensive, leading to renovation costs of up to (\$80 a square foot), \$860 a square metre. The labour to material ratio could be as high as 65% to 35% respectively. These costs would be typical in a building where interior and exterior were renovated for heritage conservation purposes.

The restoration type of renovation is not common among companies in the full time renovation business. It is undertaken to a limited extent by companies in the luxury market. However, for the most part, this type of renovation is left to individual property owners working on their own houses.

Section 6.3: General Comments on Quality of Services Used

A list of services typically used by real estate companies in new construction was discussed with renovators for their comments on use of these services and their quality. (See Appendix for questionnaire and complete list). The most common response was that a large number of these

specialized services were not used. In many cases the owner performed many of the functions of these services himself. This may indicate that the services are useful and they are not provided by specialized consultants or trades only because the companies in renovation are now relatively small. The following is a list of these services with comments.

Architect

The renovation must be designed by someone. The design in almost all cases is done by the owner. Architects are used for drawings and specifications for the more luxury projects. In the less costly projects the owner, or someone on his staff, will prepare the necessary drawings for permits. There is a general reluctance to let an architect have the free hand on design, permit approvals and construction supervision that would be common in an architect-client relationship with an individual renovating his own house. The renovator tends to see the architect as an extra expense and someone he does not need who comes between himself and the construction trades.

General Contractor

Only in very unusual circumstances will a renovator use a general contractor. A general contractor organizes work schedules, makes contracts with trades to perform work on schedule and supervises the work. These are exactly the functions the renovation company owner spends most of his time doing. He is his own general contractor. This is in contrast to the individual renovating his own house where an architect and general contractor would commonly be used.

Sub-trades

These services are the basis of actual construction. A typical project would involve separate trades for: carpentry, plumbing, heating, electrical, painting, roofing, doors and windows, kitchen and bathroom cabinets, floor finishes, fireplaces and drywall. In terms of quality

there was no unanimity of opinion on trades. Some had no problems and used the same firms regularly; others found trades unreliable and quality poor. The only common opinion was the importance of carpentry, and for this service European trained carpenters were considered superior. All trades were considered to be in reasonably good supply in the Toronto area. Prices were noted to vary widely between trades companies and to vary over the year as demand changed.

Real Estate Brokers

All renovation companies use real estate brokers. There were divergent opinions on the services brokers perform and the quality of these services. These views have been discussed in Section 5 as to the several roles brokers play in renovation and in Section 6 on the operation of renovation companies.

Financial Services

Banks and trust companies are generally used for short and long term financing respectively as outlined in Section 6. There was a general level of satisfaction with these services. If mortgages could not be found through the company's normal contacts, mortgage brokers would also be used to find mortgage money. Mortgage brokers charge a fee but their services are found useful in some cases. Finance companies are never used to supplement working capital.

After Construction Services

These services would include: market research firms, advertising, leasing agents and property management companies. They were not used at all. It appears that formal market research and advertising is not needed and leasing and management for rental properties are done by the renovation company in-house.

Other Services

Renovation companies generally use the services of lawyers and surveyors only as needed in order to establish clear title to properties. These services were considered adequate. In some cases a large renovation company will retain a lawyer who specializes in planning law, and an urban planner to represent their interests in municipal negotiations. This, however, is unusual. Most negotiations are handled directly by the company owners. Accountants are used as needed to keep the books, but they are not generally used for financial and tax advice in corporate decisions as they might be in a large real estate firm.

Section 7: The Renovation Business and Municipal Government

Problems with municipal government were the most mentioned source of concern for renovation companies. Municipalities control development through The Planning Act. Renovators are most affected by the use of Zoning (Part III, Section 35 and Section 36), Committee of Adjustment (Part IV) and Building By-laws (Section 38) portions of the Act.

Most renovation will require at least some removal of walls and rewiring and plumbing. This necessitates getting a building permit from the municipality. To secure the permit the work must comply with the Official Plan and applicable Zoning By-laws of the municipality. If proposed work differs slightly from the Zoning By-law it can be allowed by a special decision of the Committee of Adjustment. Major differences may require Official Plan and Zoning By-law amendment. If proposed work conforms, it is issued a building permit after paying a fee based on permit value.

Official Plans and Zoning By-laws are usually created to control new construction. Renovation, however, often involves buildings that do not conform to current standards. There are no special Official Plan or Zoning policies for renovation, thus any change may require at least the special permission of the Committee of Adjustment. The renovator is in a situation that has no clear rules, negotiation takes time and time costs him money. This time spent is viewed as an additional delay by the renovator in comparison to his construction schedule if no municipal approvals were needed. Delays are also often unforeseen which, as well as costing money, causes him further problems with scheduling trades and securing continuous financial backing. The following points relate specifically to the City of Toronto but may have general applicability.

The renovator in the City of Toronto will submit plans to one department (the City Department of Buildings and Inspections) for approval.

The proposal is then checked by different plan examiners for compliance to (1) Zoning and Official Plan by-laws; (2) Ontario Building Code and other municipal buildings by-laws. The renovators interviewed expressed the following concerns:

Zoning By-law and Official Plan

- (1) The renovated house will usually conform to the existing land use of the Official Plan and Zoning By-law (i.e. low density residential), however, the density controls and other provisions of the zoning by-law will often be so restrictive that virtually any change outside of the walls of the existing house will require a Committee of Adjustment hearing. This could take 2 months.

Specific reasons for a hearing could be:

- (a) The existing house floor area is slightly over the allowed lot coverage, therefore all additions require a zoning variance. This would include minor third storey rear additions, common for renovations.
- (b) The existing house is built beyond front and side yard setbacks, or higher than height limits in the by-law. In this case, any change in the roof, new projecting bay windows or enclosures of porches or entrances, would require variances.
- (c) The renovator wants to create a duplex which is an allowed use in the zoning by-law. The duplex zoning, however, requires two covered parking spaces of a width slightly larger than the lot, or there is no parking physically possible on the lot. This would require a variance. Either an exception is granted or parking has to be found elsewhere. There are no guidelines for this type of decision.

(d) The house has an existing basement apartment that may be slightly below required height or window area. If a variance cannot be secured, the apartment must be removed before a building permit will be issued.

(2) Committee of Adjustment decisions are not consistent and may reflect unwritten policies of Council.

Specifically:

(a) Owners of their principal residences who wish to renovate often appear to get more lenient decisions than the professional renovator.

(b) A renovator working in building middle to upper income housing in an area with low income housing may find his applications for variances consistently denied on the basis of physical non-conformity. He may suspect that he is actually being discouraged from changing the area for use by higher income people so that it can stay a stable, low income area, which may be a political priority.

(c) Similar problems can occur if the renovator attempts to introduce duplexes or less costly housing in high income areas.

Application of Building Construction Standards By-laws (The Ontario Building Code)

(1) The provisions of the Ontario Building Code are not generally viewed by renovators as overly restrictive or unnecessary. Municipal administration of the code is, however, considered a major problem.

Specifically:

(a) There are no time limits in consideration of plans. It is thus impossible to estimate when a permit may be secured.

- (b) Building Code compliance is not considered until zoning compliance is approved. Therefore a delay in zoning means the renovator cannot even get an opinion if his plans are adequate until zoning is resolved.
- (c) Standards for multiple unit construction (even duplexes) and mixed use construction are much more rigorous for such things as fire rating in walls than a single family house. A renovator who tries these more complicated projects may have to make several proposals for evaluation, rather than the code examiner suggesting a reasonable solution to the initial problem. This may not be true with all building examiners but uneven treatment causes frustration. Faced with this approach and not knowing how best to meet the Code in his property, the renovator may go back to single family houses that have lower standards with which he is more familiar. Thus, there can be a disincentive for the renovator to try more complicated projects, caused by the type of application of the Code.
- (d) There is no appeal procedure. The renovator is forced to work out a solution to satisfy the examiner. His only other alternative is to start work without a permit (this is done often) or to take the City to court (even more time consuming).

- (2) A face to face method of dealing with building code issues has been tried in the City of Toronto and is generally regarded as very helpful.

The City has established neighbourhood offices that can issue building permits. Plans are examined for zoning and code compliance on the spot, with one examiner. These offices were set up on an experimental basis with evening service, mainly to benefit home owners. The

approach, however, was very useful for renovators. The applicant could meet with the examiner, the plans would be examined and an opinion given about zoning compliance and detailed comments given on plans. Changes often could be indicated on the plans at this time and a permit issued after this one meeting. Variances could not be given at this time, but if a variance was needed, the renovator would at least know he could get an immediate permit from his plans once the variance was granted.

Section 8: Summary of Issues Considered Important by Companies in the Renovation Business

This section is a listing of issues raised in Sections 6 and 7 that were considered by renovators as existing or potential problem areas for their future business growth. They are listed in order of priority. Comments are then made by the consultant as to how the issues interrelate and directions policy change may take.

(1) Reduction of business risk caused by municipal delay

This is an area of unanimous concern. A renovator must submit plans to the municipality for approval. These plans must be checked for zoning compliance and Ontario Building Code compliance. Renovators can experience delays in both of these areas.

Zoning compliance is the biggest area of delay. Virtually any change outside the walls of an existing city house type building requires a Committee of Adjustment hearing than can take 6-8 weeks for a decision. Typical items included would be bay windows and third floor additions. Duplex provisions such as covered parking or use of basement space as habitable areas can delay permits for months. Many buildings, as a result of this process, are built before permits are ever issued. Stop work orders are commonly ignored and court action results between many builders and the City. Much of this could be eliminated with clear rules relevant to renovation rather than zoning designed for new construction.

Building Code compliance is not seen as a problem area. The Code is generally accepted as a desirable feature of building. Municipal use of the Code, however, is uneven. What must be in drawings to indicate use of the Code is unclear and is up to the municipal Code examiner. He can ask for additional information after drawings are

submitted, or change construction details on the construction site that were approved in drawings. The arbitrary process is a problem area and leads builders to steer clear of more difficult buildings in the Code such as duplexes and multiples of all types.

Comment

The uncertain nature of municipal approvals relates directly to virtually all other issues. Quality of work cannot be maintained if experienced tradesmen are not kept working. A delay can force their layoff and employment elsewhere. Delays often cause the sources of interim financing to become nervous and pull out support. This leads to a high rate of business failure, giving remaining businesses an unstable public image. This same high turnover makes it difficult for renovators to develop any type of professional association that could be helpful in developing standards of renovation quality that could ensure reasonable consumer understanding of the components of value in a renovated house. Smaller, less financially secure companies are also less likely to undertake multiple unit rental accommodation that requires more accounting and management skills. It is more advantageous to a small company to stay with high profit, quick return single family housing.

If renovation is to be encouraged, special policies in the Official Plan and Zoning By-law would be very useful. The thrust of the policies would be to give renovators a greater ability to build without Committee of Adjustment decisions and to create a face to face approval process for Building Code approvals, with time limits for response and an appeal procedure.

(2) Access to reasonably priced unrenovated houses

The renovator would like to operate in one area for many years, acquiring

houses and renovating for his market group. This is most efficient for him in that his trades can move from one house to another easily, as in new suburban construction.

Comment

This issue relates clearly to the role of the realtor, land speculation and the Ontario Land Speculation Tax. If the control of the unrenovated housing stock falls into a few hands, the existing renovation companies would find the profitability and future of their companies severely limited.

(3) Quality of work

Some renovators want to produce a high quality finished house and get public recognition for it. They also want to see those that are not producing a respectable quality get out of the business.

Comment

The ability to produce this quality depends in the first instance on straightforward municipal approvals and access to housing. This will keep their reputable trades working. It also requires standards of quality for a renovated house and some definition of where renovation that adds to the life of the house stops and mere cosmetic activity begins. There is some possibility that a self-regulating professional association could accomplish the creation of quality standards.

Less Important Issues for Renovators

(4) Ability to undertake rental projects

Not many renovators want to do rental projects. It is not clear what the primary reason is. It is clearly more difficult under the

Building Code and at the municipal zoning level to do rental projects. Resolving these problems, however may have no impact if rental is economically unfeasible. Economic feasibility is most directly affected by the combination of rent control and high interest rates. A combined policy approach would be needed to increase rental accommodation provided by renovation.

(5) Ability to secure financing

This is generally not considered a problem except for very small companies.

Comment

Any improvement in the access to capital without dealing with the issue of quality and who controls access to unrenovated houses may put more money into speculative projects than into better quality housing.

(6) Neighbourhood changes

Most renovators feel they are improving the area. However, it is agreed that the high cost of their housing will change a neighbourhood. They would readily build less expensive housing, or small rental units, if it could be shown there was a profit in this and if the municipal process was supportive.

Comment

Any governmental policy will have to deal with the question of who receives the distribution of benefits from government intervention and the equity of this distribution.

APPENDICES

Appendix 1: List of Housing Renovators Interviewed

Appendices Available on Request

- (1) Complete Quantity Surveyor Reports for All Case Studies:
1A, 1B, 2, 3A, 3B, 4, 5
- (2) Questionnaire used for Renovator Interviews
- (3) All Housing Units Added and Renovation for Resale Tables
from Section 4 Presented at the City Ward level.

APPENDIX J:

List of Housing Renovators Interviewed

Mr. T. Mills and Mr. D. Chizen
Chizen and Mills Ltd.
Box 104, Station J
Toronto, Ontario

Mr. J. Chen
Vice President
Darrel Kent Real Estate Ltd.
542 Parliament Street
Toronto, Ontario

Mr. J. Hoffman

Mr. J. Vaughan
Wakefield Realty
1955 Yonge Street
Toronto, Ontario

Mr. G. Herczeg
82 Birch Avenue
Toronto, Ontario

Mr. P.T. Martel
President
Martel Real Estate Ltd.
169 Danforth Avenue
Toronto, Ontario

Mr. C. Moon
10 Foxbar Road
Toronto, Ontario

Mr. L.D.S. Aykler
Gillen Associates Ltd., Realtor and
Clarendon Construction Ltd.
1231 Yonge Street
Suite 202
Toronto, Ontario

Mrs. M. Pennington
Kellner - Pennington
33 Rosedale Road
Toronto, Ontario

Mr. A. Brugger
Royal Trust Ltd., Realtor
Toronto, Ontario

Mr. D. Robertson
60 Palmerston Square
Toronto, Ontario

Mr. P. Martel
Architect
27 Madison Avenue
Toronto, Ontario

Mr. R. Lind
Armstrong and Molesworth
Architects
188 Davenport Road
Toronto, Ontario

Mr. Laureano Martinez
Martinez Construction Company
58 Metcalf Street
Toronto, Ontario

Mr. Gerhard Linse and Associates,
Renovation and Redevelopment Consultants,
207 Queen's Quay West
Toronto.

Mr. R. Tysen,
Innstead Co-operative Inc.

Mr. M. Goldblatt,
Co-operative Housing Federation of Toronto Inc.,
299 Queen Street West, Suite 501,
Toronto, Ontario.

